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United Nations Industrial Development Organization

Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 20 June 2005, at 10 a.m.

Temporary President: Mr. ZNIBER (Morocco)
President: Mr. STELZER (Austria)

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V.05-86013 (E)

The meeting was called to order at 10.15 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the thirtieth session of the Industrial Development Board. During his term as President, major changes had taken place at UNIDO and, through the collective efforts of all concerned, the Organization had achieved specific and visible results. Firstly, programme implementation had been stepped up and technical cooperation services had been improved. Secondly, the budget situation had improved significantly, thanks in large part to the support of donor countries, which he hoped would continue. High-level consultations were being held with the aim of agreeing on a substantial budget which would allow the Organization's activities to bring maximum benefit. Priority should be given to the African continent, which was the only continent to have taken a step backwards in the past 40 years in terms of development and efforts to combat poverty.

2. Thirdly, UNIDO had established promising cooperation programmes with other organizations, in particular the United Nations Development Programme (UNDP). That would enable UNIDO to expand its presence in developing countries and would make possible a comprehensive approach to the issues affecting them. UNIDO should be in a position to enter into cooperation with other competent international organizations in the near future. Fourthly, a strategic long-term vision for the Organization over the next 10 to 15 years had been drawn up, which was a commendable step that would encourage Member States, especially donor countries, to enhance their involvement with the Organization.

3. UNIDO needed to focus, above all, on reducing poverty and bridging the gap between developed and developing countries through the enhancement of economic capacity and the use of a variety of technologies in order to ensure sustainable development. There was general agreement on those priorities, but implementation of the relevant activities would require an increase in income and a diversification of sources of income. UNIDO also needed to redouble its efforts to raise awareness in civil society and academic institutions of its goals and priorities so as to increase support for its work. In that regard, the recent appointment of Goodwill Ambassadors was a positive development which would help raise the Organization's profile.

4. He thanked all the members of the Board and the Bureau, and also the Director-General and the Secretariat, for their support during his term of office and wished the new President and Bureau success in the discharge of their duties.

ELECTION OF OFFICERS

5. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. T. Stelzer (Austria) for the post of President; Mr. Wu Hailong (China), Mr. H. Bazoberry Otero (Bolivia) and Mr. J. Bylica (Poland) for the posts of Vice-President; and Mr. E. Koffi (Côte d'Ivoire) for the post of Rapporteur.

6. *The candidates were elected by acclamation.*

7. *Mr. Stelzer (Austria), President, took the Chair.*

STATEMENT BY THE PRESIDENT

8. **The PRESIDENT** thanked the members of the Board for electing him and requested their cooperation, and that of his fellow Bureau members, for the current session, which had a very full agenda. He also thanked the members of the outgoing Bureau for their excellent work over the past year.

9. The thirtieth session of the Board was a special one because it would be the last session held during Mr. Magariños's eight-year tenure as Director-General. It was well known that the Organization's capacity to deliver technical cooperation had improved significantly during those eight years, despite the fact that its budget had been 20 per cent lower. A number of studies had confirmed that UNIDO was a very well-managed organization. However, it was not sufficient for the Organization's internal management to function effectively; as a member of the United Nations family, UNIDO was called upon to contribute added value to the work of the United Nations system in the field of development. UNIDO was a small organization among many working in the same area and therefore had to define clearly its areas of comparative advantage, which included poverty alleviation through productive activities, trade capacity-building, and the environment and sustainable energy. It also had to plan for the future while remaining flexible enough to deal with unexpected challenges that might arise. He therefore hoped that the Board would reach agreement on the UNIDO strategic long-term vision for the next 10 to 15 years so as to recommend it for adoption at the next session of the General Conference. That would equip UNIDO to face the future in the context of the current reorganization of the entire United Nations system.

10. One of the main priorities of the current session of the Board was the election of a new Director-General, and he thanked the Secretariat for its preparations in that regard. The election was an intricate process but, with the goodwill of all concerned, a result would be

achieved. Another crucial issue was the adoption of the programme and budgets for 2006-2007. Despite its best efforts, the Programme and Budget Committee had not been able to reach a consensus. However, all delegations seemed broadly to agree on the need to maximize delivery capacity within a set financial framework, and all were subject to the same requirement of accountability to their taxpayers, to the Organization itself, to the international community and to the beneficiaries of the Organization's activities. He was confident that, with the necessary cooperation, agreement would be reached on the programme and budgets.

ADOPTION OF THE AGENDA (IDB.30/1 and Add.1; IDB.30/CRP.1)

11. *The provisional agenda (IDB.30/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

12. **Mr. MAGARIÑOS** (Director-General) thanked the outgoing President and Bureau for their skilful guidance of the Board's work and congratulated the new President and Bureau on their election. He also expressed gratitude for the Board's support throughout his time in office and commended the collective achievements of the Organization over that time. His final address to the Board as Director-General provided a good opportunity to place his tenure in perspective, not through analysis of the results achieved, as on previous occasions, but rather in terms of drawing some conclusions that might assist the Organization in the future.

13. When he had been elected Director-General eight years previously, he had been faced with an extremely challenging situation: the Organization had been in financial disarray and a number of Member States had already left the Organization while others had been on the point of leaving. An unprecedented budget cut of 20 per cent had therefore been agreed upon, making it necessary to reduce the number of Secretariat staff by 100. However, that situation had been merely a superficial manifestation of deeper problems. In 1997, technical cooperation delivery had been in decline for eight consecutive years. UNIDO had faced problems of an administrative and financial nature and problems relating to programmatic focus, and the problems had revealed certain doubts and deeper concerns about the Organization's substantive activities, or more precisely about whether fostering economic development in developing countries was worth the investment of money coming from the world's taxpayers. During his first years in office, he had tried to tackle these problems one by one, while recognizing that they were all interrelated and could not be treated in total isolation from each other.

14. The degree of success achieved could be demonstrated in figures. During his first four years in office—1998-2001—the value of technical cooperation delivery had amounted to $318 million, or almost $80 million a year. In other words, the Organization had been stabilized and the decline of the preceding eight years had been halted. The Organization's financial performance and the labour conditions and job security of Secretariat staff had also been improved. Next, in order to improve programmatic focus, the service modules and integrated programmes had been developed, which had enabled UNIDO to regain credibility among Member States. As a result, withdrawals of Member States from the Organization had stopped and new members had begun to join. The value of technical cooperation delivery since January 2002—the start of his second term of office—had already exceeded the total for his first term, reaching $332 million to date. Delivery was set to total $380 million by the end of 2005, an average of $95 million a year for the period 2002-2005 and an increase of 20 per cent compared with the previous four years.

15. A conclusion that could be drawn was that it was possible to reform an international organization without conflicts or major stress, and also to increase technical cooperation delivery. The challenge for the future was to continue the growth. That was necessary not for the sake of any bureaucracy, but because UNIDO had an important role to play in the international economic machinery, as he had said in 1997; it had now been shown that such a role could be played. It was necessary also because only with economic development could developing countries attain the Millennium Development Goals. Strengthening those countries' capacity to increase per capita growth rates called for social investments, in sanitation, nutrition, health and education. UNIDO's reports had proved, however, that that alone would not suffice. The *Industrial Development Report 2004* had shown that, to achieve Goal 1 on poverty reduction, sub-Saharan countries needed an annual per capita growth rate of between 4 and 6 per cent and that the above-mentioned social investments would contribute only half that. The additional 2 or 3 per cent per capita growth rate that those countries would need to attain the Goals would require support in investment promotion, trade capacity-building, technology transfer and many other areas where UNIDO had a comparative advantage. UNIDO must strengthen its role in order to contribute to the attainment of the Millennium Development Goals and to making the world more equitable and spreading democracy and prosperity around the world. To bring that about would be the task of his successor.

16. With regard to how to increase technical cooperation delivery, the Board would be aware that, in the documents outlining a long-term vision and in a

recent book published on United Nations reform, he was advocating the devotion of increased attention to economic development functions within the United Nations system. UNIDO's reform process had reached a point where future productivity gains would depend on efforts throughout the United Nations system. Economic development functions had not been given sufficient consideration in the current reform proposals for the United Nations system, and UNIDO had made contributions aimed at strengthening, in that regard, the draft document to be submitted to the United Nations General Assembly World Summit in September 2005.

17. He was sure that the platform that Member States and the Secretariat had built during his two terms of office would enable UNIDO to continue to contribute to the growth and prosperity of developing countries. He thanked Member States for their support.

STATEMENTS BY MINISTERS

18. **Mr. NITIMIHARJA** (Minister of Industry of Indonesia) expressed his deep appreciation of the Director-General's three visits to Indonesia, which testified to UNIDO's commitment to the country's industrial development.

19. In the context of the reforms being undertaken by the Government of President Susilo Bambang Yudhoyono, elected in 2004, the Ministry of Industry was working to create an industrial sector that would meet the people's needs, drive national economic growth, generate productive business activities and provide a tool for improving national technological capabilities. The long-term goal of industrial policy was to make Indonesia a sustainably industrialized country. The main five-year targets for industrial development included an average annual growth of 8.6 per cent in manufacturing industry, the expansion of the workforce by about 500,000 a year, increasing the share of domestic products in the domestic market, attracting investment and facilitating transfer of technology.

20. As part of its policy, the Government had also identified, on the basis of their potential international competitiveness and prospects, priority industries including those in the agro-based, transport equipment and information and communication technology sectors. Over the next five years, 10 clusters of industries would be developed. By 2009, the contribution of industry to the national economy could reach 30 per cent.

21. His Government was determined to continue its reform of investment policies in order to attract foreign investors back to Indonesia, creating transparency and confidence in business dealings and encouraging a market-oriented approach. It would ensure equal treatment for domestic and foreign investors, and was finalizing a new investment law that would incorporate the principle of market orientation and simplify investment procedures.

22. UNIDO, as the agency in the United Nations system dealing specifically with industrial development, could still do much to assist Indonesia to develop its industrial sector. The Organization's priorities, as set out in documents such as the draft strategic long-term vision statement (IDB.30/23), and activities in areas such as small and medium enterprises, trade capacity-building, poverty alleviation, clean energy and environment and post-crisis reconstruction and rehabilitation fitted well with his Government's policies.

23. Although humanitarian relief was not the task of UNIDO, his Government was convinced that the Organization could provide assistance to the areas affected by the earthquake and tsunami of December 2004 under the heading of post-crisis industrial rehabilitation and reconstruction. As one of the countries severely hit by that disaster, Indonesia had approached UNIDO for assistance in the reconstruction process as it related to industrial development. He hoped that the Organization would play its part, and wished to encourage donor countries, especially those that had made financial pledges, to realize their promises. He looked forward to the Director-General's next visit to Indonesia to see the situation with his own eyes.

24. He welcomed the revision of the Country Service Framework for Indonesia, which would be signed later that day. His Government hoped that all the approved projects would be implemented as planned.

25. **Mr. GHASSAN TAYARA** (Minister of Industry of the Syrian Arab Republic) commended the efforts of Mr. Magariños to make UNIDO a more vital and effective organization. In 2004, his country and the European Union had initialled an Association Agreement and it hoped soon to be in a position to sign the final version. His country's economy, and in particular the industrial sector, would then have to face the challenge of making the most of the possibilities provided by the Agreement while protecting the economy against potential adverse effects. The Syrian Arab Republic had recently taken a series of decisions and steps to facilitate stimulation of industrial development, to reinforce capacity in the private sector and to convert to a market economy. To effect change in the optimum circumstances, it relied heavily on cooperation with UNIDO and other international organizations and with the donor agencies. The country's tenth five-year plan, for 2006-2010, currently being prepared, envisaged implementation of that reform and integration programme, with, in parallel, more comprehensive programmes to remove obstacles to strengthening the national economy and its competitiveness. The Government was creating a climate attractive to foreign investment.

26. The industrial sector and manufacturing industry were being subject to across-the-board review with the aim of restructuring public-sector facilities and opening the way for the private sector. Industrial development and modernization required cooperation between the public and private sectors, with both local and foreign investment within the framework of state planning. The embargo on his country would have an adverse impact on that process, in particular industrial development, and on the efforts to bring about a fair peace in the region. Chapter IV of the *Annual Report 2004* (IDB.30/2) mentioned the industrial modernization and upgrading project for his country, and he underlined the importance of completing the final phase of the integrated programme and preparing working documents to underpin industrial policy. Cooperation was planned with Italy, and he acknowledged with thanks the contribution of 2.3 million euros towards completion of the modernization project. With regard to UNIDO's part of the project, the Government would seek to ensure implementation without further delay.

27. His Government was discussing with UNIDO and financial institutions the creation of an industrial plan and an industrial policy unit, with a database, in the Ministry of Industry. Activities were already under way with the support of the European Union and other donors aimed at modernizing institutions and promoting small and medium enterprises, professional training and rehabilitation. Extensive coordination and cooperation between UNIDO and other organizations and donor countries was called for.

28. The lack of a Director for the UNIDO Regional Office covering Jordan, Lebanon and the Syrian Arab Republic had had an adverse effect on the Organization's regional activities for some time. He called for the process of appointment of a Director to be accelerated and for the Office to be strengthened.

29. **The PRESIDENT** said that the vacant post of Director of the Regional Office had been filled and that the appointee would take up the position in due course.

30. **Mr. MIGEREKO** (Minister of Tourism, Trade and Industry of Uganda) said that UNIDO had done much to support developing countries, including his own, in industrial promotion and dissemination of technology, which had facilitated trade and increased market access for their products. UNIDO had also played a major role in the development and effective application of a regulatory regime for quality assurance and support for an operational industrial framework. That intervention had helped developing countries in their efforts to cope with technical barriers to trade and sanitary and phytosanitary standards. He welcomed the increased level of technical cooperation and UNIDO's efforts to mobilize funds and improve project effectiveness through the integrated programme approach.

31. However, his country's efforts continued to be undermined by its narrow industrial base, dominated by inefficient small and medium enterprises, its dependence on a small number of primary products and unfavourable terms of trade. Africa needed to adopt policy and economic reforms which would lead to a sustainable increase in industrial productivity. He called upon the donor community to support UNIDO's African Productive Capacity Initiative.

32. A strong private sector was essential for economic dynamism, productivity and competitiveness. African entrepreneurs should be encouraged to set up large commercial farms, rather than family subsistence farms, and to move over from primary-product-based to resource-based industries. He welcomed UNIDO's support for investment promotion and institutional capacity-building, which had enabled developing countries to attract more resources and establish direct links between local entrepreneurs and potential investors. His country was willing to participate in the pilot projects for the joint programme of cooperation on private sector development between UNIDO and UNDP. He also welcomed the strategic partnerships which UNIDO had forged with other international organizations, including the World Trade Organization (WTO).

33. The UNIDO integrated programme in Uganda had enhanced economic growth and improved the competitiveness and sustainability of agro-based industries. The programme promoted micro-industries and small-scale industries, and encouraged better links between industry and agriculture. He called upon all development partners to increase funding for the integrated programme and the activities included in the medium-term programme framework, 2004-2007.

34. His country commended the recent initiative by the Group of Eight countries to cancel the debt of many developing countries, including Uganda. What the developing world needed now was programmes to address supply-side constraints, market access and the strengthening of value addition capacity, in order to promote sustainable economic development.

35. UNIDO must build on its record of successful reform to establish its role in the strengthening of multilateralism at a time of change throughout the United Nations system. The Organization would need a strong leader with the vision, experience and integrity to command the respect of all stakeholders. Africa had proposed three candidates for Director-General for the Board to choose from.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2004 (IDB.30/2 and Add.1, IDB.30/21; IDB.30/CRP.4)

36. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China, welcomed the high level of technical cooperation delivery achieved in 2004. Sustained efforts should be made to build on that achievement.

37. The Cooperation Agreement with UNDP, signed the previous year, had far-reaching implications for UNIDO's representation in the field. It would need careful implementation and regular monitoring if it was to achieve the desired results. The strategic long-term vision should help to focus UNIDO's activities on its core strengths and advantages. He welcomed UNIDO's projects to promote South-South cooperation.

38. The adoption of a thematic and results-based approach for the formulation of programme and budget proposals and the establishment of the programme approval committees were important developments. The concept of results-based management should be built into integrated programmes and projects from the beginning. Clear and realistic objectives and outcomes, including results indicators, must be identified.

39. He noted the tabulated summary which had been provided to show technical cooperation delivery in the areas of competitiveness, environmental protection and productive employment (see document IDB.30/2, p. 61, table 1). UNIDO's global forum activities should complement technical cooperation projects.

40. The evaluation of programmes in selected countries, conducted with WTO in 2004, should help to improve technical cooperation guidelines, but careful planning, clear performance indicators and the mobilization of sufficient funding would also be required.

41. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Serbia and Montenegro, Norway and Ukraine, noted the new management control framework for programme and project formulation and implementation, and particularly the programme approval committees. He hoped that the new arrangements would speed up programme delivery without affecting quality.

42. He welcomed the appointment of the UNIDO Goodwill Ambassadors, who would promote broader understanding of the role and capabilities of UNIDO and advise the Director-General on industrial development issues.

43. The European Union strongly supported UNIDO's strategic alliance with UNDP, which would be particularly useful for the development of the private sector in developing countries. The new system had significantly changed the structure of UNIDO's activities in the field, and he hoped that regular updates would be provided on the implementation of the Cooperation Agreement. He likewise welcomed UNIDO's cooperation with WTO in the assessment and joint promotion of technical cooperation projects, and the Organization's involvement in the eleventh session of the United Nations Conference on Trade and Development, held in Brazil in June 2004. In general, he commended the Director-General's efforts to enhance cooperation on economic development issues within the United Nations system.

44. He noted with satisfaction the increase in technical cooperation delivery to $98.8 million in 2004, continuing the upward trend of previous years.

45. He welcomed the progress made towards the preparation of a long-term vision statement for UNIDO, and supported the full implementation of a comprehensive results-based management system. Such a system should both improve overall performance and increase staff motivation by recognizing the contribution of individuals to the Organization's strategic objectives. In particular, he welcomed the new thematic and results-based budgeting approach; the provision of clear objectives, expected outcomes and appropriate performance indicators allowed for a clear overview of the Organization's programme. The new guidelines covering the entire technical cooperation programme and project cycle also took into account the principles of results-based management.

46. He urged the Secretariat to continue to address the difficulties identified in the recent self-assessment of its results-based management work, particularly the resistance to the new approach within the Secretariat and the perception that results-based management was a time-consuming and expensive addition to the staff's workload. However, it was gratifying to note the positive assessment of UNIDO's multilateral effectiveness by the United Kingdom Department for International Development.

47. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group, said that the high level of technical cooperation delivery in 2004 was very encouraging. Technical cooperation delivery per staff member had risen by 28 per cent between 1997, when the regular budget had been 20 per cent higher than at present, and 2004. He hoped that the Cooperation Agreement between UNIDO and UNDP would increase UNIDO's presence in the field and lead to closer collaboration between the two agencies.

48. The Asian Group welcomed UNIDO's projects to promote South-South cooperation, particularly those of the International Centre for Small Hydropower in Hangzhou, China, the International Centre for Advancement of Manufacturing Technology in Bangalore, India, and the Asia-Africa Investment and Technology Promotion Centre in Kuala Lumpur. Joint technical cooperation programmes had been established with the European Union and other agencies, which had brought additional expertise and funding to the region.

49. **Mr. RAMZY** (Egypt), speaking on behalf of the African Group, welcomed the adoption of the new framework for decentralization and field representation. He called upon the Director-General to maintain his commitment to technical cooperation for African countries, particularly the eight service modules which were designed to contribute to the implementation of the Millennium Development Goals—a top priority for Africa.

50. **Mr. GHEGHECHKORI** (Observer for Georgia), speaking on behalf of the GUAM group of countries, Georgia, Ukraine, Azerbaijan and Moldova, said that the implementation of UNIDO's medium-term programme framework for 2004-2007 showed a balanced allocation of its expertise and resources across all eight service modules, and an increased focus on the research component could be noted. The GUAM group commended UNIDO's efforts to ensure a multi-dimensional approach in delivering its services to Member States, and noted with satisfaction the considerable increase in UNIDO's technical cooperation deliv ry over recent years, expressing the hope that the momentum would be built upon and additional resources attracted. That could be partly achieved through implementation of the proposed strategic long-term vision statement, and the GUAM group supported the focus of those future targets being concentrated on poverty alleviation, especially in areas of investment promotion, business development, technology transfer, trade capacity-building, and environment and energy. The group also wished to urge the Secretariat to continue to provide assistance to countries with economies in transition, and in that regard believed that a closer interaction between UNIDO and other international development organizations was important in contributing to the goals, bringing in relevant expertise and ensuring broad multi-stakeholder participation.

51. The GUAM States took great interest in the further development of cooperation between UNIDO and UNDP, and looked forward to participating in discussions on the results of that cooperation and the subsequent enlargement of the initiative to GUAM and other interested UNIDO Member States.

52. The GUAM group congratulated the Director-General on the launching of the UNIDO Goodwill Ambassadors Programme, which would serve to promote partnership between the Organization and Member States with the aim of better addressing their development priorities and needs.

53. As recognized in the proposed strategic long-term vision statement, the professional expertise and technical skills of UNIDO staff should be regularly updated through, among other things, an appropriate proportion of internal and external recruitment. That approach was crucial to ensuring the professional, consistent and timely provision of services to Member States. Increased opportunities for the participation of qualified individuals from Member States with economies in transition would also contribute to better designing of UNIDO programmes in those countries as well as to securing gender and geographical balance within the Organization.

54. **Mr. TAKASU** (Japan), commending the *Annual Report 2004*, noted with appreciation that in 2004 UNIDO had implemented the highest total of technical cooperation programmes in the past five years, amounting to $98.8 million. He also expressed appreciation for the continued focus on African development through South-South cooperation and programmes such as the Tokyo International Conference on African Development exchange. Japan also welcomed the conclusion of the Cooperation Agreement between UNIDO and UNDP, as well as the intensified efforts to expand UNIDO's financial base through diversity of resources.

55. Japan attached great importance to the proposed budget for 2006-2007 being approved by consensus; it had been under discussion since the last meeting of the Programme and Budget Committee, and Japan was convinced that UNIDO would be able to implement the intended level of programme delivery for the next biennium within a zero real growth budget.

56. As regards UNIDO's future orientation, Japan looked forward to participating in the formulation of a long-term vision that could serve as a road map for UNIDO's activities in the years ahead. That vision should be developed in such a way as to promote reform efforts and be in conformity with the 1997 Business Plan on the Role and Functions of UNIDO and the Strategic Guidelines "Towards improved UNIDO programme delivery". It should also reflect the human security perspective as a major concept guiding UNIDO's activities, which should be concentrated on the selective areas of comparative advantage.

57. Japan's strong political and financial support for UNIDO was based on the fact that it fully appreciated

the well-focused and efficient programme delivery the Organization had achieved through major reform efforts and transformation in the past seven years. Japan therefore expressed its gratitude to the Director-General, whose dynamic leadership and constant pursuit of efficiency and improvement had made that difficult process possible. He had brought the Organization to a higher level of achievement and given it an enhanced international profile.

58. **Mr. SERRANO CADENA** (Colombia) said that the Director-General's professionalism, leadership and vision had made the Organization more efficient and more credible internationally. The *Annual Report 2004* gave a clear picture of the recent achievements of UNIDO, showing a significant improvement compared with previous years. Synergies had been developed within the Organization, and had led to a significant increase in the effectiveness of UNIDO's activities. Synergy had also been achieved with other development bodies, such as UNDP, and one of the results had been that UNIDO's field activities had become more relevant. The continuity of UNIDO's work in Colombia had made it possible to achieve high levels of sustainability and impact, especially with regard to the development of micro, small and medium-sized enterprises, and their integration into the global economy. Key elements in that achievement had been the commitment and professionalism displayed, and Colombia was keen that the Organization should continue to improve its activities in terms of methodologies and technical cooperation activities, as well as in making the best possible use of its comparative advantages.

59. **Mr. ZAGREKOV** (Russian Federation) said that the *Annual Report 2004* showed that UNIDO was increasing the volume, effectiveness and quality of the assistance and services it delivered. His country shared the report's conclusions that it was vital to enhance the quality of operational interaction and coordination between programmes, funds and specialized agencies of the United Nations system. UNIDO must develop and improve its comparative advantage in industrial development. The Russian Federation welcomed UNIDO's contribution to the implementation of the decisions of international forums on affording assistance to developing countries, especially African countries, and it noted in particular the effectiveness of the country service framework system for programme assistance delivery. Country service frameworks and integrated programmes must continue to be the basic instruments for UNIDO's technical assistance delivery.

60. He noted with satisfaction the increase in the past year in the range of cooperation between UNIDO and the Russian Federation, and noted that thanks to UNIDO the number of foreign partners and international organizations taking part in project implementation on the ground in the Russian Federation and in third countries had increased. With UNIDO's assistance, work had begun on developing a programme of technical cooperation between the Russian Federation and countries of Latin America in which the Russian Federation was a technology donor. In order to extend and deepen that kind of "East-South" cooperation initiative, it was essential to ensure the active participation of the business community, and in that connection he noted with satisfaction the positive conclusions that had emerged from the international congress of industrialists and entrepreneurs organized by UNIDO in Moscow in June 2005 on the role of the private sector and non-governmental organizations.

61. The Russian Federation intended to mobilize as effectively as possible the scientific production potential it possessed in order to extend technical assistance to developing countries in the interests of achieving the Millennium Development Goals, and in that connection it was counting on the active assistance and cooperation of UNIDO.

62. **Mr. JHA** (India), reiterating his country's strong commitment to and support of UNIDO's activities and programmes, noted that India had been paying its assessed contributions regularly and on time, and was also contributing voluntarily to the Industrial Development Fund to the tune of over $1 million a year. The joint business partnership programme for the development of selected industrial sectors launched by the Director-General of UNIDO when he had visited India in March 2005 would have a very positive impact on the UNIDO partnership programme with the private sector. The interaction during that visit had also been very useful in common efforts to provide a clear focus for the next phase of India's country service framework. Within the overall strategic imperative of employment generation in India, the Government had identified food processing, rural industry, skills upgrading and small hydroelectric power plants as focus areas in which India and UNIDO could work together. India was also fully committed to promoting South-South cooperation in association with UNIDO by offering its experience, expertise and technology to other developing countries.

63. Turning to the *Annual Report 2004*, he said that UNIDO had emerged stronger following the reform process. Its finances were now healthy and its technical cooperation delivery was growing. It had won the appreciation of the international community for its cost-effective and efficient contributions to the achievement of the Millennium Development Goals. India commended the Organization for the high level of technical

cooperation delivery—$98.8 million—achieved in 2004, and noted that that figure was even higher than the levels reached in 1997, when the regular budget had been 20 per cent higher and the number of staff 28 per cent more than at present. The gains achieved through the reform process must be consolidated and further improved.

64. India had contributed constructively to the debate regarding cooperation with UNDP, and looked forward to careful implementation and close monitoring and review of the pilot phase in order to assess the future course of action with regard to field representation. India had also actively contributed to the debate on the formulation of a strategic long-term vision statement for UNIDO. The Organization had developed considerable field experience in developing countries and in different regions of the world, and it should continue to deliver appropriate services that suited the requirements of individual regions.

ORGANIZATION OF WORK

65. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

66. *It was so decided.*

The meeting rose at 12.35 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 20 June 2005, at 3 p.m.

President: Mr. BYLICA (Poland)

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7	Implementation of the recommendations of the External Auditor	

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Conference Management Service, room D0708.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.05-86014 (E)

The meeting was called to order at 3.15 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had recommended that the Board should continue the practice of holding informal consultations on draft decisions, so that a consensus could be reached on them before they were submitted to the plenary. The Bureau had further recommended that Mr. Bazoberry Otero (Bolivia) should chair the informal consultations.

2. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2004 (*continued*) (IDB.30/2 and Add.1; IDB.30/21; IDB.30/CRP.2)

3. **Mr. SCHALLER** (Switzerland) said that he agreed with the Director-General that UNIDO had a particular contribution to make to the achievement of the Millennium Development Goals. The three main areas in which the Organization enjoyed a comparative advantage were private sector development with efficient, and therefore sustainable, use of natural resources; trade capacity-building; and the creation of productive capacities in the non-agricultural sector. UNIDO had a key role to play with regard to sustainable and environmentally friendly industrial development.

4. He welcomed the improvements made to the internal management of the Organization, as indicated in the report by the Office of the Comptroller General (IDB.30/CRP.2) and the report of the Department for International Development of the United Kingdom. The progress made in that regard had undoubtedly contributed to the increase in the volume of technical cooperation by strengthening Member States' faith in the Organization. Switzerland also welcomed the cooperation between UNIDO and other organizations, such as the United Nations Development Programme (UNDP) and the World Trade Organization (WTO); harmonization of the activities of the various organizations of the United Nations system was to be encouraged.

5. **Mr. WU Hailong** (China) said that UNIDO had made considerable progress with regard to internal reform, and planning for the future, programme development and technical cooperation, regional cooperation, global forum activities and performance management. The increases in the value of technical cooperation delivery and in funding through the Industrial Development Fund and trust funds were an indication of the increased confidence of Member States in the Organization. The reforms carried out under the leadership of the Director-General were conducive to further improvement of the Organization's efficiency and the continued expansion of technical cooperation coverage with a view to providing better services to Member States. He welcomed the UNIDO strategic long-term vision statement prepared by the Director-General and said that clearly defined objectives would further improve UNIDO's effectiveness and efficiency. He hoped that, in order to reflect the spirit of the tenth session of the General Conference, greater emphasis would be placed in the strategic long-term vision on South-South cooperation and on the mobilization of resources.

6. Outstanding progress had been made in 2004 with regard to cooperation between UNIDO and China; two subcontracting and partnership exchanges had been established to promote exchange and cooperation between small and medium enterprises (SMEs); China and UNIDO had jointly organized a forum on global subcontracting and supply chains in Beijing; and discussions had been held on a number of other subjects, such as the establishment of a South-South cooperation centre and of an international cooperation centre on solar energy and the promotion of micro hydropower.

7. The major problem which UNIDO faced was the shortage of funds, which hampered full implementation of strategies and plans. The main challenge for the Organization therefore continued to be the mobilization of resources and the investigation of new areas of activity with a view to better serving developing countries and countries with economies in transition. He hoped that UNIDO would further strengthen performance management and would focus on meeting the priority needs of developing countries, improving its internal procedures, and consolidating and expanding its financial resources. Moreover, when engaged in cooperation with other agencies, UNIDO should retain its own merits and advantages so as to be able to contribute to the sustainable industrial development and poverty reduction efforts of developing countries.

8. **Mr. EL MEKWAD** (Egypt) welcomed the increase in technical cooperation delivery referred to in the *Annual Report 2004* (IDB.30/2) and the particular focus on Africa in that regard. However, he hoped that the decline in some programmes, notably Major Programmes C, D, E and F, would not have an adverse effect on the technical cooperation services provided to developing countries. The Report made reference to Egypt's success in raising funds for the implementation of its country service framework (CSF), which was the largest CSF of any Member State. That fact could be attributed to the diversity of Egypt's industrial sector and to the large strides made with regard to reform policy, which had had the effect of encouraging Egypt's development partners to support its industrial modernization programme. Those efforts had been

accompanied by the signing of an agreement with UNIDO to convert the Cairo office into a regional office; under that agreement, Egypt was committed to increasing its financial contribution to the operating costs of the office and to providing it with all the necessary logistical support. However, it was regrettable that UNIDO had not yet fulfilled its obligation to provide the office with the necessary human resources. He hoped that the Secretariat would move swiftly to resolve that situation, especially as the Cooperation Agreement with the United Nations Development Programme would further increase the burden to be shouldered by the Cairo office.

9. **Mr. VIEIRA DE SOUZA** (Brazil) said that industrial development was an integral part of Brazil's economic agenda. Although the Brazilian industrial sector was large, complex and diversified, Brazil, like any other country, could not rely solely on past achievements if it wished to ensure robust, long-term industrial development. In the 1990s, in spite of increasing productivity in some industrial sectors, Brazil had not made the same inroads in the international market as some other developing countries had: whereas international trade had increased at an average rate of 7.5 per cent a year between 1984 and 2002, Brazil's participation in international trade had increased at an average rate of only 4.6 per cent over the same period. Overall, Brazil's share of international trade had declined from 1.39 per cent in 1984 to merely 0.79 per cent in 2002.

10. The limited success of Brazil's industrial development policies over the past two decades could be explained by both internal and external factors. Changes in the domestic industrial landscape had resulted in greater competition and liberalization, which had made product differentiation and innovation key factors in the sustainability of industrial development; new processes enabled the industrial sector to improve efficiency and reduce costs, while the development of new products and applications opened the door to new and more promising markets. Research and development, the development of knowledge-based sectors around commonly agreed objectives and continual attention to capacity-building and education were vital in that regard.

11. In March 2004, the Brazilian Government had adopted a National Policy for Industrial Development, Technological Innovation and Foreign Trade, which brought together key public and private actors and was to be implemented by the Brazilian Agency for Industrial Development, a private non-profit agency funded primarily by contributions from the industrial sector. The National Policy was structured into vertical programmes, which focused on four areas deemed strategic to the enhancement of Brazil's industrial development and its insertion into the world market—microelectronics, software, pharmaceuticals and industrial machinery and horizontal programmes, which addressed all industrial sectors in a cross-cutting manner.

12. A total of 57 initiatives were already being implemented under the new National Policy. A Law on Innovation, passed in December 2004, had provided the framework for the links between private companies, universities and research institutes that were needed in order to encourage research and development. The Brazilian National Economic and Social Development Bank had begun implementation of a programme for the modernization of industrial machinery in SMEs, to which funds totalling $900 million had been allocated. In the biotechnology sector, which was experiencing steady growth, a national forum for biotechnology competitiveness had been set up in September 2004. The establishment by the Brazilian Export Promotion Agency of eight distribution centres for Brazilian products abroad would help to insert Brazilian industrial goods—which were highly competitive in terms of price, quantity and reliability—into the international market. The distribution centres would provide space for storage, showrooms and offices for a period of 12 to 18 months, in order to consolidate the presence of a given product in the market. The National Policy also included several initiatives to promote training in fields such as microelectronics and nanotechnology.

13. It was widely acknowledged in Brazil that the country needed both a policy and appropriate institutional mechanisms that would promote the renewal of the country's industrial capacity, job creation and an environment favourable to the dissemination of new technologies, the opening of new markets and the expansion and diversification of international trade. Brazil was still, in many ways, a developing country: it ranked fifteenth among Latin American and Caribbean countries in terms of gross national product (GNP) per capita and seventy-second on the Human Development Index. Brazil had, however, attained a world-class level of development in specific industrial sectors and had put into place effective and innovative mechanisms to promote long-term industrial development, despite the considerable financial constraints that had characterized the country's recent history. He wished to emphasize to the Board that when certain key factors were in place—strong political will, appropriate mechanisms, dialogue and compromise among the primary actors, and long-term planning and boldness—industrial development could be achieved.

14. He emphasized the importance of scientific and technological innovation, capacity-building and the implementation of institutional, legal and financial arrangements as key factors in the promotion of sustainable and socially responsible industrial development. The efforts made by the Organization to

increase its presence in the field, to forge new links of cooperation and partnership with other international organizations, to create synergies with private actors within the framework of the United Nations Global Compact, and to focus on the social development dimension of its programmes and projects deserved the full support and recognition of the Board. Providing access to generic drugs, helping to bridge the digital divide and promoting sustainable uses of biodiversity were examples of how industrialization should and could improve the environment and livelihood of millions of people. UNIDO was on the right path, but must continue to refine and strengthen its core competencies, while contributing to sustainable industrial development and the achievement of international development goals.

15. **Mr. HIDALGO CASTELLANOS** (Mexico) welcomed the *Annual Report 2004* and the continuity it showed. The importance that Mexico attached to UNIDO could be seen in the fulfilment of its financial commitments and its membership of the governing bodies. If the scale of assessments proposed by the Director-General for the next biennium were adopted, Mexico would become the eighth largest contributor to UNIDO. Mexico aimed, through its membership of the Programme and Budget Committee and the Board, to make a constructive contribution to the debate on various aspects of global economic development, in particular the need to improve productivity and competitiveness with minimum impact on the environment in the least developed countries (LDCs), with a view to achieving poverty reduction, one of the Millennium Development Goals.

16. Mexico had been supportive of the Director-General's work over the years, but had also been critical of specific aspects of the dual role of UNIDO and had fought for greater attention to be paid to Latin America and the Caribbean, a region in which the Organization could do a great deal to address inequalities in development and cooperation. The aim of closer relations between UNIDO and Mexico was to increase the Organization's presence and activities in the country and the region as a whole. Progress had been made in that direction through the regional office in Mexico City and a number of visits to Mexico by the Director-General, during which high-level talks had taken place.

17. **Mr. VIDANAPATHIRANA** (Observer for Sri Lanka) said that, as a developing country that attached great importance to sustainable industrial development, Sri Lanka fully supported the work of UNIDO, which had succeeded in balancing the industrial development needs of developing countries with the realities and opportunities offered by a globalized international environment. His country endorsed the four principal areas of focus of the Organization, reflected in the new programme approval committees—poverty reduction, trade capacity-building, human security in post-crisis situations and energy and environment.

18. Sri Lanka, which had relied on export crops in the past, was now seeking to develop a competitive manufacturing sector. The agricultural sector remained important, but manufacturing exports should also be strengthened. His Government also recognized the significant contribution of SMEs to employment creation and income generation.

19. Phase I of the country's integrated programme had been successfully completed. The Government would decide on the projects to be carried out in phase II and seek UNIDO's assistance in fund-raising and project delivery. UNIDO had helped to promote environmentally sustainable industry in a number of sectors, such as apparel and leather, and had provided support for SMEs and assistance in testing, standardization and metrology. UNIDO had also helped to conduct sectoral studies for the Master Plan for Industrialization and Investment Promotion in Sri Lanka.

20. With regard to the current changes in the structure of UNIDO representation at country level, he said that the UNIDO Focal Point within the Ministry of Industry in Sri Lanka had been working effectively since its establishment in 1999. He therefore considered that any changes should be made only after proper evaluation and consultation with all stakeholders.

21. The tsunami of 26 December 2004 had cost thousands of lives and caused widespread destruction of SMEs and the industrial infrastructure in Sri Lanka. His Government hoped for the assistance of UNIDO and donors in the rehabilitation and restructuring of the SME sector in the affected areas.

22. He noted with satisfaction the increase in technical cooperation delivery under the leadership of Mr. Magariños and the record level of voluntary contributions from Governments and other development partners. He also welcomed the fact that UNIDO was continuing to strengthen its collaboration with other agencies, including UNDP, the United Nations Conference on Trade and Development (UNCTAD) and WTO.

23. **Mr. ERTAY** (Turkey) said that UNIDO had reviewed its programme activities in recent years and focused on producing practical and useful results in its areas of comparative advantage; as a result, technical cooperation delivery and funding from donor countries had increased. The strategic long-term vision which the Board was to discuss at the current session would lead to even greater efficiency.

24. Cooperation between Turkey and UNIDO had increased in recent years. Since its establishment in

February 2000, the UNIDO Centre for Regional Cooperation in Ankara had organized workshops on technology foresight, agro-industry and promotion of SMEs. Turkey was a donor to and an active participant in the technology foresight seminars. The next seminar would be held in the final quarter of 2005, and representatives from countries in the Balkans, the Middle East and Asia were expected to attend. The Centre had also organized a workshop on food-processing technologies in 2004, in which many countries from the region had participated.

25. Since 2002, the Centre had been implementing a project to promote SMEs in Azerbaijan, Kyrgyzstan and Uzbekistan, at a cost of $224,000, paid by Turkey. As part of the project, a successful seminar had been held in Baku, Azerbaijan, training courses had been held in Kyrgyzstan and Uzbekistan and a feasibility study had been conducted for the establishment of an industrial park in Azerbaijan. The Centre would remain in operation for at least the next five years.

26. UNIDO and the Turkish International Cooperation Agency were soon to conclude a memorandum of understanding which would enable them to share resources and experience, particularly for work with economies in transition.

27. The UNIDO Investment and Technology Promotion Office in Istanbul, Turkey, had been opened in February 2005. He hoped that it would lead to higher private-sector contributions to projects in and around Turkey.

28. Another joint project organized by UNIDO and Turkey was the International Centre for Hydrogen Energy Technologies in Istanbul, which was mentioned several times in the *Annual Report 2004*. Turkey had established a trust fund to finance the project, with cash and in-kind contributions amounting to $40 million over five years. The sum of $11.5 million had already been provided. Key project staff had been recruited, facilities had been set up and several pilot projects were already under way. He called upon other Member States to contribute to the project, which would give developing countries a clean and renewable source of energy and increase the visibility and technical capacity of UNIDO.

29. **Mr. CHO Chang-beom** (Republic of Korea) said that, if the process of revitalization begun by the current Director-General was to be successfully continued, his successor must not only possess the necessary professional competence and integrity, but also understand the reform process thoroughly and be determined to carry it through.

30. In recent years, development issues had been extended to cover poverty, gender equality, HIV/AIDS, education and the environment, and were now recognized as a decisive factor in the preservation of international peace and security. UNIDO must take all those issues into account when developing its strategic long-term vision, which should lay down the future direction of development policy while maintaining flexibility.

31. The United Nations-wide approach to development, as laid down in the Secretary-General's report entitled "In larger freedom: towards development, security and human rights for all" (A/59/2005), emphasized poverty eradication and environmental sustainability. UNIDO must maintain its status as an independent development organization within the global partnership for development. To that end, he called upon the Secretariat to take all possible measures to encourage former major donors, especially Australia, Canada and the United States of America, to rejoin the Organization.

32. He was pleased to note that the collection rate of assessed contributions for 2004 stood at over 90 per cent and that voluntary contributions for the same year had increased, enabling UNIDO to increase technical cooperation delivery to $98.8 million. He hoped that that trend would be sustained.

33. Integrated programmes and country service frameworks had made a substantial contribution to poverty reduction and trade capacity-building in developing countries. He called upon the Secretariat to improve the performance and assessment of the integrated programmes and to mobilize as much funding as possible in order to ensure that the programmes were implemented on time.

34. One element of the integrated programme for the Democratic People's Republic of Korea—the construction of a goat's-milk dairy with an independent power supply—should be finished soon, although the project had been hampered by a lack of interest on the part of the donor community. Such projects not only provided immediate humanitarian assistance, but also promoted medium-term and long-term industrial development. He therefore called upon donors to respond to the immediate needs of States and not to be guided exclusively by political considerations. In view of recent improvements in the political and security situation on the Korean peninsula, he hoped that UNIDO would be able to play a more proactive role in poverty alleviation and industrial capacity-building in the region.

35. He welcomed the Cooperation Agreement concluded between UNIDO and UNDP and the launch of a number of joint pilot projects. He hoped that the cooperation between the two agencies would increase once the two-year pilot period had been successfully completed.

36. He likewise welcomed UNIDO's introduction of results-based management and budgeting, and called upon the Secretariat to set up a detailed and systematic operating mechanism, including an objective and quantifiable performance indicator. It was pleasing to note that more women were now being recruited, but more people from underrepresented Member States should also be recruited, particularly at middle and senior levels. He hoped that recruitment would proceed in a transparent and forward-looking manner, taking advantage of the smooth transition to the new leadership.

37. His Government had contributed financially to a number of integrated programmes in Asian and African countries in 2004. It also contributed to the Investment and Technology Promotion Office in Seoul to enable it to promote direct foreign investment and technology diffusion. He encouraged UNIDO to explore further possibilities for supporting the work of that office.

38. As a country that had risen out of poverty to a position of economic strength, the Republic of Korea could help developing countries by sharing its experience and expertise. His Government was considering increasing the amount it devoted to official development assistance, and he hoped that its involvement in UNIDO's programmes would increase in the near future.

39. **Mr. KANDIE** (Kenya) welcomed the ongoing consultations on the development of UNIDO's long-term strategic vision, which should provide benchmarks for the long-term activities of the Organization as well as responding to the immediate concerns of Member States. He was sure that the strategic vision would contribute to the implementation of the Millennium Development Goals and his own country's target of industrialization by 2020.

40. His Government's strategy for economic recovery covered employment, health and education and included an investment plan, in which the strengthening of entrepreneurial skills and the development of micro, small and medium-sized enterprises were priorities. UNIDO would be a key partner in the development of industrial activities, providing advice on quality, product design, markets and consumer preferences.

41. His country supported UNIDO's efforts to work more closely with other agencies, especially UNDP, which had also provided financial support for Kenya's integrated programme. Kenya was one of the countries involved in the pilot phase of activities under UNIDO's Memorandum of Understanding with WTO, aimed at enhancing trade capacity in developing countries. Kenya acknowledged that, as well as building up its production capacity, it must also address such issues as market access and sanitary and phytosanitary standards and certification.

42. Kenya would draw up a master plan, in consultation with all interested parties, for its objective of achieving industrialization by 2020. UNIDO and other partners would play a key role in the industrialization plans.

43. **Mr. ZEWERI** (Observer for Afghanistan) said that he wished to thank the Director-General for the special attention he had given to Afghanistan. Following a visit by the Director-General immediately after the fall of the Taliban regime, UNIDO had launched two large-scale projects in his country, dealing with industrial standards and agricultural productivity respectively. An industrial capacity-building programme was in preparation. A UNIDO Desk had been opened in Kabul in March 2005 under the UNIDO/UNDP Cooperation Agreement.

44. With regard to the *Annual Report 2004*, he observed that, while the increase in technical cooperation delivery to $98.8 million was commendable, only $8.2 million approximately 8.3 per cent – had been delivered to LDCs. He likewise appreciated UNIDO's efforts in the field of South-South cooperation, but felt that the programme of economic and technical cooperation among developing countries (ECDC/TCDC) could create greater synergies if new mechanisms were developed for the effective implementation of the programme. The Director-General should consider reinstating the LDC and TCDC units within the Secretariat and promote innovative mechanisms and special programmes to support the least developed countries.

45. With regard to the budget for 2006-2007, he would like to see the outstanding issues relating to the budget resolved through further consultations among Member States and with the Secretariat. A realistic budget must be agreed in order to avoid adverse consequences for UNIDO's performance and delivery of technical assistance and to enable it to play its part in the enhancement of security at the Vienna International Centre.

46. With reference to the implementation of the Cooperation Agreement between UNIDO and UNDP, he welcomed the opening of the UNIDO Desks within UNDP field offices, but felt that the status of the Desks after the expiration of the Cooperation Agreement and the future UNIDO field structure required more careful consideration. His delegation encouraged the Secretariat to hold more frequent brainstorming sessions and briefings with the Heads of UNIDO Operations in order to exchange information about possible improvements to the offices and any remedial measures which might be necessary.

47. Regarding UNIDO's strategic long-term vision, he shared the concern that the document submitted by the Secretariat (IDB.30/23) paid too much attention to activities in response to the past and current problems faced by developing countries rather than to the new challenges that could be expected over the next 10-15 years. It might be advisable for the strategic long-term vision statement to contain a more thorough analysis of the expected future requirements of developing countries and define the future role of UNIDO in responding to the new challenges.

48. **Mr. DAVIES** (South Africa) said that his country noted with approval UNIDO's strong performance in 2004 and its strong focus on Africa. However, the *Annual Report 2004* did not bring out adequately the relatively undeveloped nature of UNIDO's programmes and activities in southern Africa.

49. With regard to the Africa Productive Capacity Initiative (APCI), which had been adopted by the African Union in July 2004 as the sustainable industrial development component of the New Partnership for Africa's Development (NEPAD), his delegation stressed the importance of in-depth consultations with regional groups, notably the Southern African Development Community (SADC), with a view to ensuring their support and inputs as key stakeholders prior to the design and adoption of sectoral subregional programmes under APCI. Such consultations could be held within the framework of regional SADC ministerial meetings, which took place twice yearly. With the full participation and understanding of members, the programmes could be used to guide UNIDO's ongoing and pipeline programmes, activities and projects in subregional sectoral priority areas. The development of integrated programmes, including individual country programmes in southern Africa, was of great concern. Southern Africa was not at the same level as elsewhere in terms of programme development, and the introduction of such significant initiatives as APCI, while welcome, had to take cognizance of other national development priorities as well as UNIDO's level of engagement in the region.

50. **Mr. OMOTADE** (Nigeria) said that his delegation appreciated the Director-General's efforts in formulating and adopting a new framework for UNIDO decentralization and field representation, and commended the Cooperation Agreement signed with UNDP. Nigeria welcomed the fact that Africa remained one of the Organization's priority areas in terms of technical cooperation, and in that regard urged UNIDO to intensify its efforts with a view to enabling Africa to attain rapid industrial development as soon as possible, given that it was the least industrialized continent and thus in greatest need of assistance from UNIDO and the international community.

51. **Mr. PADILLA MENENDEZ** (Observer for Guatemala), referring to Guatemala's Integrated Programme, said that the National Metrology Centre of Guatemala (CENAME) was already in its final phase of construction, and was expected to be inaugurated during the second half of 2005. The Centre would make it possible to meet long-standing needs for assessment of the quality of industrial products, which was a key factor of competitiveness in the globalized world.

52. The Guatemalan authorities were greatly interested in initiating a second phase of the Integrated Programme, to which end talks had already been initiated with a view to setting up a "bridge programme" that would make it possible to continue activities already in progress, to extend the Programme to other areas of national priority and to create the possibility of offering services at the subregional level.

53. A regional seminar was scheduled for September 2005 that would cover those topics of greatest concern in terms of industrial development, namely the problems of trade facilitation and export promotion and matters relating to market access, with emphasis on the specific problem of access to the North American market, the importance of which had been underlined by the recent signature of the Free Trade Agreement between Central America and the United States of America.

54. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) said that due note would be taken of the constructive and encouraging comments made by Member States. UNIDO was firmly committed to intensifying its efforts to increase its effectiveness, efficiency and relevance to Member States. The Secretariat hoped to count on the continued support and cooperation of Member States to that end.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.30/22)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2004-2005** (IDB.30/2 and Add.1, IDB.30/8, IDB.30/9)

(b) **FINANCIAL SITUATION OF UNIDO** (IDB.30/10, IDB.30/13; IDB.30/CRP.8)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2006-2007** (IDB.30/7)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2006-2007** (IDB.30/3)

(e) APPOINTMENT OF AN EXTERNAL AUDITOR (IDB.30/5 and Add.1-4)

(f) SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES (IDB.30/11; IDB.30/12 and Add.1 and 2)

(g) MOBILIZATION OF FINANCIAL RESOURCES (IDB.30/2)

(h) FINANCIAL REGULATIONS (IDB.30/4)

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR (IDB.30/8)

55. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China and referring to sub-item (f) of agenda item 4 ("Security enhancements and proposed new conference facilities"), said that the Group could accept the option of supplementary appropriations to finance the second phase of security enhancements, with UNIDO's share amounting to 1.1 million euros.

56. However, the two additional projects should be given careful examination by the Board. The Group was concerned at the fact that the replacement of windows with laminated shatter-resistant glass had already begun, along with the asbestos removal project, before the necessary funding had been secured. It believed that the basic costs for window replacement, amounting to 2.5 million euros, could be covered by available Buildings Management Services (BMS) funds as suggested in document IDB.30/12. The Group did not consider the installation of radio-frequency grounds passes to be a priority at the moment.

57. The Group took note of the fact that the funds required for security obligations with regard to window replacement had been reduced to the incremental costs of the shatter-resistant glass. Those incremental costs should be covered by supplementary appropriations, with a UNIDO share amounting to 0.24 million euros.

58. Any future measures planned by the Secretariat with respect to security enhancement should be proposed only after consultations with and approval by Member States.

59. Turning to item 7, he said that the Group noted with satisfaction that implementation of several of the External Auditor's recommendations was at varying stages of completion. The Group encouraged the Secretariat to intensify its efforts towards the full implementation of all remaining recommendations as soon as possible.

60. The Group emphasized the need for an objective analysis of the skills and resources required for the functions of the Office of the Comptroller General, and would like the results of the requested analysis to be shared with Member States as soon as possible.

61. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, Norway and Ukraine, referring to the question of the appointment of an External Auditor, said that a balance had to be drawn between the need for regular rotation and the need for effective auditing. Since it took time for a new external auditor to acquire a sound understanding of an organization, it would be beneficial to UNIDO if external auditors were appointed for a period of two years, normally to be extended twice, unless there was evidence of unsatisfactory performance—and without the possibility of further extension after the six-year period. That would be both cost-effective and in line with the agreed principles of international auditing relating to the regular rotation of external auditors. On the basis of that policy, the EU was pleased to support the re-election of Mr. Shauket Fakie of the Republic of South Africa.

62. Turning to the proposed programme and budgets for the biennium 2006-2007, he expressed his appreciation to the Chairperson of the Programme and Budget Committee and the chairman of the consultations held during the Committee's twenty-first session for their efforts aimed at a consensus to be reached on the matter prior to the Board's thirtieth session. Unfortunately, a consensus had yet to be reached, and the EU offered its full cooperation and support in resolving the issue.

63. With regard to the financing of the second phase of the security enhancements, the EU wished to reiterate its position, reached following careful consideration of possible options for the financing of security enhancements, that the only way to ensure that all Member States contributed their respective share was to request UNIDO to prepare a supplementary budget estimate to be agreed on by the General Conference in December 2005. Financing through voluntary contributions and unencumbered balances did not reflect the principle of shared responsibility, nor did it constitute a secure way of funding. Finally, the EU questioned the inclusion of radio-frequency grounds passes in the budgetary estimates for the phase II security enhancements, given that they appeared neither in the relevant General Assembly resolutions nor in the budgetary estimates being prepared by other Vienna-based organizations.

64. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group and referring to item 4 (e) ("Appointment of an External Auditor"), said that the Group reiterated its support for the candidature of Mr. Guillermo N. Carague, Chairman of the Philippine Commission of

Audit, for the post of External Auditor, taking into account his qualifications and experience. During the tenth session of the General Conference in 2003, the Philippines had withdrawn its nomination for the post of External Auditor in the interests of consensus, paving the way for the reappointment of the incumbent External Auditor from South Africa for a second term. While other regional groups had had the opportunity to hold the post for more than one term, no Asian country had held it since the establishment of UNIDO as a specialized agency in 1985. The Asian Group wished to emphasize the principle of equitable geographical rotation, and encouraged favourable consideration of the Philippines candidature by Board members.

65. With regard to item 4 (f) ("Security enhancements and proposed new conference facilities"), the Group considered that the two additional projects should be carefully examined. The Group was concerned that the replacement of windows with laminated shatter-resistant glass had already begun, along with the asbestos removal project, before funding had been secured. In that context, the Group took note that the funds required for security obligations with regard to window replacement had been reduced to the incremental costs of the shatter-resistant glass, and that other window replacement costs could be covered by available BMS funds. The incremental costs of the special glass should be covered through supplementary appropriations, with a UNIDO share amounting to 0.24 million euros.

66. Concerning radio-frequency grounds passes, the Group was not fully convinced of the advisability of an access control system, and would like the matter to be further examined.

67. Regarding item 7 ("Implementation of the recommendations of the External Auditor"), the Group noted from the annex to document IDB.30/8 that many of the External Auditor's recommendations had been addressed to his satisfaction, and that the implementation of certain other recommendations was at varying stages of completion. The Group encouraged the Secretariat to intensify its efforts to implement the remaining recommendations fully as soon as possible, particularly those concerned with fraud-prevention strategy and contingency policy and with information and communication technology.

68. **Mr. RAMZY** (Egypt), speaking on behalf of the African Group, said that the Group had noted the Interim report of the External Auditor (IDB.30/8) and wished to express its satisfaction with the External Auditor's positive assessment of UNIDO's financial stability and the enhancement of its technical cooperation delivery and services. The Group encouraged the Secretariat to continue its efforts and cooperation with all relevant stakeholders and specialized agencies in mobilizing extrabudgetary funds for the Organization's technical cooperation activities, particularly the implementation of integrated programmes and the country service frameworks. The Group also urged all Member States and donors to increase their voluntary contributions to UNIDO and to consider contributing programmable funds.

69. As for the financial situation of UNIDO, the Group commended the Secretariat for its efforts to ensure better implementation of programmes. It took note of the marginal increase in the collection rate of 2005 assessed contributions in the first three months of the year, and hoped that that positive trend would provide impetus to improve service delivery. The Group was concerned that outstanding arrears of contributions amounted to 145.2 million euros, and noted with great concern that 48 Member States had lost their voting rights as of 31 March 2005. However, the Group was pleased to note that 38 Member States, including six of the least developed countries, had made full payments and that 42 Member States, including five of the least developed countries, had made partial payments. The Group called upon all Member States to pay their contributions in full and on time and reiterated its appeal to former members to fulfil their financial obligations to the Organization.

70. The Group noted that technical cooperation activities in 2004 amounted to $98.8 million, an increase of $17.2 million compared with 2002. That improvement was mainly attributable to the increase in trust fund and Montreal Protocol resources, and the Group encouraged the Organization to pursue the exploration of new funding sources to finance technical cooperation. Part of the improvement was due to the special account for the Regular Programme of Technical Cooperation (RPTC), and the special account mechanism should be continued.

71. The Group expressed its strong support for Mr. Shauket Fakie to serve a third and final term as External Auditor, and urged others to join in supporting him. A third term would provide continuity during the first period in office of the newly elected Director-General.

72. The Group was pleased to note the finding in the External Auditor's report that the Organization was well run, and that most of the earlier recommendations had already been implemented. It also welcomed the significant progress made by the Office of the Comptroller General in fostering the principles of good corporate governance, particularly in the results-based management system, fraud-prevention strategy, information and communication technology policies and procedures and evaluation activities, but felt that, as indicated in the report, there was still room for substantial improvement, notably in adopting a strategic approach to procurement, improving procurement and

contract strategies and improving the systems to ensure the availability of detailed management information on procurement activities, all of which steps would help the Secretariat to achieve an economic and efficient procurement system. The Group wished to stress the importance of the External Auditor's recommendations concerning the application of the Standards of Conduct for the International Civil Service and the recruitment and evaluation of consultants and experts.

73. **Mr. JHA** (India) noted the External Auditor's observation that the Organization was well run and advancing through a period of revitalization. The issue of the audits of building management services, procurement and the use of consultants, which had not been taken up by the Internal Oversight Group owing to the redeployment of resources, needed to be suitably addressed. Greater use should be made of computer assisted audit techniques. The Secretariat might also pursue the improvements the External Auditor had suggested in relation to performance management and appraisal in terms of identifying and negotiating goals, job descriptions and reporting cycles. Further improvements might also be made in procurement procedures and the recruitment and use of consultants and experts.

74. Timely and full payment of assessed contributions and early settlement of dues would go a long way towards enabling the Organization to achieve its goals more effectively. The Secretariat should continue to make efforts to collect all outstanding dues, including those from former Member States. India welcomed the payment plan arrangements that had been entered into or were being negotiated by Member States. India noted the higher levels of regular budget cash resources and of the operating reserve, as well as the lower operating costs incurred on account of deferred expenditure and cost savings, and was encouraged by the increasing and more even level of RPTC delivery following the establishment of the special account mechanism.

75. **Ms. HE Wangyang** (China) reiterated her country's support for the candidature of Mr. Guillermo N. Carague, Chairman of the Philippine Commission of Audit, for the post of External Auditor, noting the contribution made by the delegation of the Philippines to securing consensus on the matter at the tenth session of the General Conference and the fact that no Asian had held the post of External Auditor since UNIDO had become a specialized agency. She expressed the hope that all parties concerned would act in accordance with the principle of equitable geographical distribution and support Mr. Carague's candidature.

76. **Mr. EL MEKWAD** (Egypt), noting the positive observations contained in the interim report of the External Auditor (IDB.30/8) and welcoming the increase in UNIDO's technical cooperation programmes, said that his country would have liked the report to have dealt also with the Cooperation Agreement with UNDP and with post-crisis industrial reconstruction and rehabilitation. Expressing his delegation's full support for the way in which the External Auditor had performed his duties, he said it would be particularly important to maintain stability and continuity as the Organization entered a new phase under a new Director-General. It was for that reason that Egypt endorsed Mr. Fakie's candidature for a third and final term as External Auditor.

77. **Mr. DERY** (Philippines) expressed appreciation to those Member States that had paid their contributions in full and to those that had made partial payments, but said that it was of concern that 48 Member States still had suspended voting rights because of non-settlement of their financial dues and that a substantial amount was still due from former Member States. The Philippines called on all Member States concerned, including the former Members, to settle their financial obligations in full and on time. The Philippines was pleased to note that technical cooperation delivery had surpassed the levels of previous years, partly through implementation of the RPTC special account mechanism.

78. The Philippines wished to formally present the candidature of Mr. Guillermo Carague, Chairman of the Philippines Commission of Audit, for the post of External Auditor of UNIDO. It was the firm belief of the Philippines that a nominee of high international standing and with substantial and credible experience in the field of auditing international multilateral organizations should be appointed as the Organization's next External Auditor. He recalled that the Philippine decision to withdraw its candidature at the tenth session of the General Conference had paved the way for the re-election of the incumbent External Auditor, Mr. Shauket Fakie, Auditor-General of the Republic of South Africa. It was his country's strong conviction that such a critical post required objectivity, impartiality and professionalism. Mr. Carague was a nominee of the highest calibre: a recognized expert in international auditing and accounting, with an outstanding record of accomplishments, he currently chaired the United Nations Board of Auditors. He was a member of the Monetary Board of the Philippines Central Bank, and had been Secretary of Budget and Management in the Cabinet of President Corazon Aquino. Furthermore, in light of UNIDO's limited financial resources for external audit costs, the Philippines Commission of Audit was ready to modify its proposed audit fee, but without in any way compromising the quality of services Mr. Carague and his team intended to render. The Philippines delegation requested that Member States of the Board accord favourable consideration to Mr. Carague's candidature.

79. **Mr. HIDALGO CASTELLANOS** (Mexico), referring to the scale of assessments for the biennium

2006-2007, said that the Mexican delegation considered, as it had stated in the Programme and Budget Committee, that, although the practice had been for UNIDO to base its scale of assessments on the scale most recently employed by the United Nations, that did not mean that the scale used by the United Nations should be adopted automatically. A scale should be sought that would be a better and more just reflection of the economic situation of members. Mexico's position, as had been set forth in the General Assembly, was that greater importance should be attached to the ability of Member States to pay. However, Mexico had chosen not to block Committee consensus in the recommendation on the proposed scale to the Board.

80. As for security enhancements and proposed new conference facilities, Mexico shared the concern of the international community regarding enhancement of security in the installations and activities of international organizations, and supported the Secretary-General's appeal in that regard. With regard to the financing of phase II of security enhancements, the question was how the Organization should handle its financial obligations, since the draft decision proposed by the Secretariat would cause budgeting complications for various Member States. The Board should seek other alternatives allowing the Organization to fulfil its financial commitments without causing problems for States with their financial or parliamentary authorities. One option would be to include the cost of phase II in the regular budget for 2006-2007.

81. As for the programme and budgets for 2006-2007, Mexico noted a lack of balance as between regions. UNIDO should allocate resources for a programme for the Latin American and Caribbean region for the biennium 2006-2007, in line with General Conference resolution GC.10/Res.8. As for the 2006-2007 regular budget, Mexico had expressed its preference in the Programme and Budget Committee for a nominal zero growth budget. It agreed with the delegation of Japan that a maximum effort should be made to identify areas where the Organization could make greater savings without affecting technical cooperation programmes. Maximum efforts must be made to reduce the level of UNIDO's regular budget.

82. **Mr. BOWOLEKSONO** (Indonesia) expressed the hope that the External Auditor's opinion on the Organization's financial situation up to the end of 2004 would be received in the course of the year. Indonesia was pleased to note the conclusion that UNIDO was well run. With regard to the financial situation, Indonesia noted that the collection rate for 2004 was slightly less than for 2002; it was recommended that measures be taken to ensure that the rate was maintained in 2005. Indonesia expressed its full support for the candidature of Mr. Carague of the Philippines for the post of External Auditor of UNIDO. It also fully supported security enhancements at the Vienna International Centre (VIC) and expressed its appreciation to the Government of Austria for its efforts to enhance security both inside and outside the compound. As to the funding options, he recalled that the Board had decided at its last session that the costs for the initial phase should be approved through supplementary appropriations "as an exceptional case" (GC.11/3, Board decision IDB.29/Dec.4), and he reiterated his delegation's belief that Member States and international organizations should not be burdened with extra financial contributions again and again because of the worsening security threat. Moreover, the UNIDO Secretariat should not begin implementing projects with regard to security enhancement before the budget proposal was approved.

83. **Mr. OMOTADE** (Nigeria) said that his delegation noted the marginal increase in the collection rate for the first quarter of 2005, and hoped that the trend would improve service delivery. He also expressed appreciation for the increase in technical co-operation activities in 2004, further funding sources should be sought and UNIDO should reinforce its cooperation with all relevant international organizations, stakeholders and specialized agencies. He urged UNIDO to intensify its efforts to promote and advance the use of sustainable renewable energy sources in the developing countries, especially in rural and small communities, and to expand the establishment of sustainable industrial resources management and cleaner production projects. Trade capacity-building (Major Programme D) played an important role in assisting African industrial products to gain access to international markets, and in that connection Nigeria welcomed the conclusion of the first phase of the programme initiated in 2003 by UNIDO and the World Trade Organization and comprising four African countries; Nigeria looked forward to the rapid implementation of the second phase and the initiative's expansion to other countries. Nigeria also welcomed Major Programme E, which provided assistance to improving the entrepreneurial and technical skills of rural and women entrepreneurs, as well as stimulating the productive capacities of micro, small and medium enterprises, especially in the agro-industry sector. Nigeria noted with particular appreciation UNIDO's close cooperation with the New Economic Partnership for Africa's Development and the UNIDO-sponsored African Productive Capacity Initiative.

84. **Mr. MORIMOTO** (Japan), referring to the programme and budgets for 2006-2007, expressed appreciation for the participation of all stakeholders in the discussions begun at the twenty-first session of the Programme and Budget Committee and continued in informal meetings leading up to the current Board session. He noted that UNIDO was successfully

implementing its activities within the amount of the approved 2004-2005 assessed contributions, namely 142 million euros. Considering that fact, Japan wished once again to emphasize its strong belief that the Organization could achieve the same high level of performance under a zero real growth budget for 2006-2007. It believed that the total amount of the new budget – 149.6 million euros – would allow UNIDO to continue efficient and effective programme delivery. Japan requested that the Secretariat rewrite the budget proposal for 2006-2007 on the basis of such agreements as might be reached during the Board session. The budget proposal for 2008-2009 should be based on the final approved budget for 2006-2007.

85. Considering the matter of fair geographical distribution of the posts of Director-General and External Auditor, and given that the next Director-General was to be an African, Japan supported the candidature of Mr. Guillermo N. Carague of the Philippines for the post of External Auditor.

86. Security enhancement was a common task and shared responsibility of Member States, and Japan in principle supported the relevant measures in the present budget proposal, except for the radio-frequency grounds pass measures, which had not yet been approved either by the General Assembly or by any other VIC-based organization. Japan opposed inclusion of that item in the budget and requested the reduction of the supplementary estimate accordingly.

87. Finally, Japan applauded the Secretariat for complying with the External Auditor's recommendations and enhancing UNIDO's internal oversight function. It felt strongly that further success in that area was both possible and desirable while maintaining the modest size of the internal auditing unit and limiting it to essential staff in order to reflect the relatively small size of the Organization.

88. **Mr. DAVIES** (South Africa) noted with approval the External Auditor's comments regarding the management of UNIDO. However, the External Auditor had drawn attention to areas where improvements were needed, such as the use of consultants and experts. Where appropriate procedures were not followed, there could be a negative indirect impact on UNIDO's transfer of skills to Member States. He thanked delegations that had commented on the quality of the External Auditor's report, and noted that there seemed to be general agreement that his office continued to perform excellent work. South Africa believed that it would complete its task to everyone's satisfaction with a third two-year term. His delegation supported the European Union's pragmatic and sensible proposal for a standard series of three two-year terms; that was becoming the norm for the United Nations system.

The meeting rose at 6.20 p.m.

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IDB.30/SR.3
20 July 2005

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 3rd MEETING*

Held at the Vienna International Centre, Vienna
on Tuesday, 21 June 2005, at 10 a.m.

President: Mr. STELZER (Austria)

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* No summary record was issued for the private section of the meeting.

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In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.05-86015 (E)

The meeting was called to order at 10.20 a.m.

RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL (IDB.30/19 and Add.1, IDB.30/20)

1. **Mr. RAMZY** (Egypt), speaking on behalf of the African Group, said that the Group wished to consolidate and extend the important positive changes that had taken place in UNIDO under the leadership of Mr. Magariños, whose effective management had made programme delivery more efficient, particularly in Africa. For that reason, the Group was nominating an African candidate, Mr. Yumkella, who had the requisite qualities and whose credentials were widely recognized: he had acquired extensive experience in the area of industrial development as a minister in Sierra Leone and as a staff member of UNIDO, both in the field and at headquarters, and, more importantly, he had a vision for the organization that the Group shared. No African had held the post of Director-General since UNIDO had become a specialized agency of the United Nations, and the Group appreciated the fact that, following Iraq's withdrawal of its candidate, no candidates from other regions were contesting the election. Moreover, Mr. Yumkella was the only candidate endorsed by the African Union.

2. **Ms. TANKEU** (African Union) said that the African Union maintained a deep interest in UNIDO's programmes and recognized the importance of the Organization's mandate for the development and modernization of the economies of African countries. It welcomed the commitment of the international community to debt cancellation and the renewed effort to promote sustainable economic development and better trading terms for those countries. UNIDO's work on private sector-led industrial development was crucial to enable African countries to capitalize on globalization by building production capacity.

3. Mr. Yumkella was the African Union's sole official and consensus candidate for the post of Director-General, and the collective endorsement of his candidacy expressed the will of African leaders. She called on delegates and development partners to vote for Mr. Yumkella because he had the experience, maturity and technical knowledge needed to manage UNIDO; he had demonstrated an exceptional ability to build consensus across all regions; and he would transform UNIDO into a more useful and relevant organization capable of helping all developing countries and countries in transition to face the challenges of the twenty-first century.

4. **Mr. OMOTADE** (Nigeria) expressed appreciation to the outgoing Director-General for his dedication and excellent service to UNIDO, which had steered the Organization through trials and rendered it viable and forward-looking. His country, which currently held the Chairmanship of the African Union, asked Member States to support the nomination of Mr. Yumkella as a worthy successor to Mr. Magariños. The Union had endorsed his candidature in view of his knowledge, solid experience of UNIDO's functions, eminent qualifications and suitability for the post. He welcomed the fact that the post of Director-General was set to be filled by an African for the first time since UNIDO had become a specialized agency in 1985.

5. Electing Mr. Yumkella, who would effectively harness the Organization's strengths and conscientiously coordinate the interests of all Member States, donors and other stakeholders, would bring much-needed benefits to UNIDO in realizing its objectives in the new millennium. To tackle the challenges, the Organization needed a resourceful, dynamic and far-sighted Director-General. Mr. Yumkella, as an active participant in UNIDO's reform process, would be best placed to consolidate the gains from that process and to chart, in collaboration with Member States, promising horizons for the Organization. As the least industrialized continent, Africa appreciated UNIDO's support for developing countries' industrial development programmes and for that reason the African Union endorsed the nomination of Mr. Yumkella as a candidate who would command universal confidence and support.

6. **Mr. MIGEREKO** (Observer for Uganda) thanked the other regional groups for allowing Africa the opportunity to provide the next Director-General of UNIDO. Three candidates were being presented because the process of consultation of the Heads of State and Government of the African Union had revealed varying perceptions about the skills and experience needed for the post. The plurality of candidates made for a wider, democratic choice. Mr. Rwendeire was the best candidate because he would provide a smooth transition and ensure change with continuity. As Managing Director of the Programme Development and Technical Cooperation Division, he served directly under the Director-General. The success of the reform process, reflected in the substantial increase in technical cooperation delivery and the introduction of results-based management, was attributable in part to his leadership and technical stewardship.

7. The challenges UNIDO faced had to be tackled in the context of United Nations reform and the report of the Secretary-General, "In larger freedom: towards development, security and human rights for all" (A/59/2005). UNIDO needed to build on its record of successful reforms in order to carve out its own role in strengthening multilateralism. That required a strong

leader whose vision, experience and integrity were respected by all stakeholders. With his long parliamentary, ministerial and academic experience, Mr. Rwendeire had the necessary negotiating, political and diplomatic skills to guide the Organization, and it was therefore to be hoped that Member States would support his candidature.

8. **Mr. NGENO** (Kenya) said that there was no agreed consensus candidate from the African Union. The "endorsement" referred to by the representatives of Egypt, on behalf of the African Group, and Nigeria had been obtained by means of a flawed procedure and was invalid.

9. The candidate from Kenya, Mr. Rana, was eminently qualified for the position of Director-General of UNIDO. Currently a Deputy Director-General of the World Trade Organization (WTO), he had played a leading role in the integration of trade and development and had demonstrated the vision and ability required to work for the achievement of the relevant Millennium Development Goals. With Mr. Rana as Director-General, UNIDO would be able to maintain its core competencies and define its unique position within the changing United Nations system. He called upon the Board to support Mr. Rana's candidature.

The public meeting was suspended at 10.45 a.m. and resumed at 12.25 p.m.

10. **The PRESIDENT** invited the Board to consider the following draft decision:

"The Industrial Development Board, acting in accordance with Article 11.2 of the Constitution, decides to recommend to the General Conference the appointment of Mr. Kandeh K. Yumkella as Director-General of UNIDO for a period of four years from 8 December 2005 or until the Director-General to be appointed at the thirteenth regular session of the General Conference assumes office, whichever is later."

11. *The draft decision was adopted.*

12. **The PRESIDENT** invited the Board to consider the following draft decision:

"The Industrial Development Board, further to its decision [IDB.30/Dec. ...], and acting in accordance with rule 103 of the rules of procedure of the General Conference, decides to recommend to the Conference for approval the draft contract annexed to the present draft decision, which establishes the terms and conditions of appointment of the Director-General, including the salary and emoluments attached to the office."

13. *The draft decision was adopted.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.30/22)

(a) **INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2004-2005** (*continued*) (IDB.30/2 and Add.1, IDB.30/8, IDB.30/9)

(b) **FINANCIAL SITUATION OF UNIDO** (*continued*) (IDB.30/10, IDB.30/13; IDB.30/CRP.8)

(c) **SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2006-2007** (*continued*) (IDB.30/7)

(d) **WORKING CAPITAL FUND FOR THE BIENNIUM 2006-2007** (*continued*) (IDB.30/3)

(e) **APPOINTMENT OF AN EXTERNAL AUDITOR** (*continued*) (IDB.30/5 and Add.1-4)

(f) **SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES** (*continued*) (IDB.30/11, IDB.30/12 and Add.1 and Add.2)

(g) **MOBILIZATION OF FINANCIAL RESOURCES** (*continued*) (IDB.30/2)

(h) **FINANCIAL REGULATIONS** (*continued*) (IDB.30/4)

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR (*continued*) (IDB.30/8)

14. **Mr. AJMAL** (Comptroller General) said that, as confirmed in the interim report of the External Auditor (IDB.30/8), the Secretariat had taken the necessary actions to implement the External Auditor's recommendations. Most recommendations made in earlier reports had already been implemented to the satisfaction of the auditors and the Secretariat would continue to work closely with them to implement the remaining recommendations, taking into account prudent management policies and best practices worldwide.

15. Turning to specific points raised by representatives during the previous meeting, he said that the recommendation on a fraud awareness and prevention policy had been fully implemented through the recent issuing of a Director-General's Bulletin, which drew upon best practices both within and outside the United Nations system. The Bulletin had been distributed to all staff and permanent missions.

16. No audit opinion had been expressed on the financial statements because, in accordance with the Organization's Financial Regulations, the External

Auditor expressed an opinion on the financial statements only at the end of each biennium, the next such opinion was therefore due in 2006 for the biennium 2004-2005.

17. Referring to remarks made by the representative of the Group of 77 and China on the need for an objective analysis of the skills and resources available within the Internal Oversight Group and the request that the results of such an analysis should be shared with Member States, he said that, in view of the concerns expressed by the previous External Auditor and by Member States, about the work of the previous Internal Oversight Group, the current External Auditor had been paying particular attention to the activities of the Office of the Comptroller General as a whole. Among other things, the interim report confirmed that the Office had made significant progress in fostering the principles of good corporate governance, with emphasis on integrity and accountability. The External Auditor had also highlighted some initiatives of the Office that were of direct relevance to UNIDO's technical cooperation activities, such as the management control framework, the preparation of the new technical cooperation guidelines and the system of evaluations, which formed an integral part of the technical cooperation cycle and provided independent evidence of results achieved. However, the External Auditor had also identified some areas for improvement in the work of the Internal Audit Group, and action was being taken on that front. The External Auditor was best placed to undertake the requested analysis of skills and resources in an objective manner, and it would be brought to his attention.

18. Referring to a statement made by the representative of Japan, he said that the Office of the Comptroller General was responsible for a wide range of functions which included ensuring the Organization's financial integrity, monitoring its activities and operations, providing policy advice, evaluating technical cooperation and global forum activities, conducting internal audit and introducing results-based management. However, a simple comparison of the Office's mandated activities with equivalent functions in other organizations was not feasible owing to differences in organizational structures and activities.

19. In his interim report, the External Auditor had confirmed that the Office had been carrying out its mandate effectively within the limited resources available, but had suggested that it should now focus more on institutionalizing results-based management, reviews of programme and project implementation, decentralization and field representation, staff development and performance management.

20. Recent developments within and outside the United Nations system had underlined the need for more effective oversight and control mechanisms and the need to enhance accountability in order to provide stakeholders with the necessary assurance that resources were being used efficiently. Taking those developments into account, along with concerns expressed by Member States and the External Auditor, the Director-General had proposed the recruitment of additional junior Professional staff with a reduction in support staff. Although the Office of the Comptroller General could continue to function with the current staffing levels, it needed additional resources if it was to fulfil its mandate effectively. Without those resources, a number of important functions, such as timely evaluations of technical cooperation activities and the full introduction of results-based management, would face delays.

21. **Mr. FORNOCALDO** (Managing Director, Division of Administration), referring to a question raised in a previous meeting, said that the budget for the second phase of the security enhancements covered the Vienna International Centre (VIC) as a whole and had been determined in full consultation with all the VIC-based organizations (VBOs). The phase II budget had therefore also been considered at a recent meeting of the Board of Governors of the International Atomic Energy Agency, where it had been approved without the inclusion of radio-frequency grounds passes.

22. Under UNIDO's Financial Regulations, the only options available to the Organization for financing the second phase of security enhancements were supplementary appropriations, voluntary contributions or utilization of the unencumbered balances of appropriations. No Member State had come forward with voluntary contributions and some had expressed their strong opposition to using the unencumbered balances.

23. Replacing the windows of the Vienna International Centre with shatter-resistant glass alongside the asbestos removal project was an opportunity that must not be missed: as the Austrian Government had agreed to bear the entire cost of asbestos removal, which included replacement of the window frames, it was estimated that the VBOs would save 40 to 50 per cent of the entire cost of window replacement if the two projects were carried out simultaneously.

24. While taking due note of the comments made by Member States and of the deliberations of the Board of Governors of the International Atomic Energy Agency in respect of radio-frequency grounds passes, he nonetheless deemed such passes, in the light of the recommendations made in that regard by the United Nations Office at Vienna, to be a necessary component of the security enhancements.

25. **Mr. SHIGEEDA** (Japan) said that, although Japan agreed that strengthening the activities of the Office of the Comptroller General and of the Organization as a whole was necessary, the budgetary

constraints of the Organization and the broader financial context must be taken into account. The morale and dedication of UNIDO's staff had been and would continue to be a key factor in the excellence of the work achieved by the Organization.

26. **The PRESIDENT** said that, aside from the election of the new Director-General, the budget was perhaps the most important item on the Board's agenda. He therefore hoped that the spirit of cooperation that had been demonstrated by Member States with respect to the election would extend to the discussions on the programme and budgets, so that the Director-General designate might be provided with a budget that enabled him to do what Member States requested of him.

The meeting rose at 1 p.m.

Distr.
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IDB.30/SR.4
27 July 2005

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 21 June 2005, at 3 p.m.

President: Mr. STELZER (Austria)

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V.05-86016 (E)

The meeting was called to order at 3.15 p.m.

RECOMMENDATION OF A CANDIDATE FOR THE POST OF DIRECTOR-GENERAL (*continued*)
(IDB.30/19 and Add.1, IDB.30/20)

1. **The PRESIDENT** welcomed the successful candidate for recommendation by the Board as the new Director-General, Mr. Kandeh Yumkella.

2. **Mr. YUMKELLA** (Director-General designate) said that he felt humbled and honoured to be standing before the Board as its chosen candidate as Director-General of UNIDO. Humbled, because he believed that greatness depended on divine intervention and the faith of men and women. He came from a small village; when he had telephoned his mother in the capital, Freetown, to tell her of his successful election, he had been told that she had gone to the village to pray for him. Honoured, because the Member States of UNIDO had expressed confidence in his ability to lead such a great institution.

3. He believed in consensus. He was not the representative of Africa but of all the Member States of UNIDO. During the recent campaign, he had endeavoured to visit most of the missions in Vienna that were members of the Board. Consensus-building would be the hallmark of his term in office, not only among Member States, but also among his staff. He had been involved in the reform and transformation of UNIDO and had served two great leaders, Mr. Mauricio de Maria y Campos and Mr. Carlos Alfredo Magariños. Now, although he would be influenced by what he had learned from them, he would lead the Organization on the basis of his own philosophies.

4. In the course of the campaign, he had been challenged on many issues, and had as a result grown more mature and more confident about what needed to be done for and with UNIDO. He had set down in writing his own ideas and those that had emerged from discussions with representatives of Member States so that they might become a social contract between the Director-General and the Member States. He considered his management philosophy to be of particular importance. He recalled how, when visiting one embassy in the early days of the campaign, he had been taken by surprise by being asked about his management philosophy; subsequently, he had been better prepared when other Ambassadors had asked the same question. Some of the content of his policy document would be familiar to some Member States, because he was a manager who listened: like his ancestors, who had been chiefs in Africa, he had been taught that a good leader listened to his people, led with humility and believed in his people.

5. UNIDO could not be great without its staff. He wanted to inspire and challenge his staff; he warned that, as somebody who came from one of the poorest countries in the world, he would expect his staff to prove that it was up to the challenge of poverty alleviation. He recalled that he was the only Director of UNIDO who had stepped down to serve in the field; he believed in the field system. For UNIDO to have an impact on the Millennium Development Goals, it must not only have a presence in the field, but must also be effective. His staff would have to maintain flexibility; if he as a Director could serve in the field, nobody was immune. His staff must prove their relevance and their ability to deal with the poor and the disadvantaged at the country level.

6. He hoped, in time, to be able to keep his promise to address Member States in at least two languages—French as well as English. He knew the job of Director-General to be a tough and lonely one. He therefore asked Member States to be patient with him as he tried to lead the Organization so that it addressed the needs of developing countries and of countries with economies in transition, at the same time helping developed countries to achieve global mandates. He remained open to dialogue, but asked Member States not to tie his hands, but to give him a budget that would enable his staff to deliver. He also asked them to be open to new ideas, because he believed that UNIDO must be ready to look at other paradigms of development. He would ensure that a great deal of emphasis was put on South-South cooperation. Some of the countries that had done the most work to alleviate poverty at the national level were in Asia, and UNIDO should learn from their example. South-South cooperation must be made a reality, and the mobilization of funds was important in that respect. Member States should not forget that poverty alleviation was about people: theory must lead to practice, and practice must be financed well. All should work together for the greatness of UNIDO.

7. **The PRESIDENT** said that the overwhelming success of Mr. Yumkella in the first series of ballots augured well for the Organization, since it showed that the Board was united behind him as future leader. He was in no doubt that Mr. Yumkella would lead the Organization well. As a component of the United Nations family, UNIDO would have to function within the structure of the United Nations system in order to be able to deliver technical assistance in the manner expected of it. The Board would do its utmost to provide the Director-General designate with a budget that allowed him to deliver what the Member States asked of him.

8. **Mr. RAMZY** (Egypt), speaking on behalf of the African Group, expressed heartfelt congratulations to Mr. Yumkella and extended thanks to all those delegations that had supported his candidacy. The overwhelming support received by Mr. Yumkella was not only a decisive vote of confidence in him, but was also a tribute to the collective wisdom of Africa. Africa was confident that Mr. Yumkella would build on the outstanding work done by Mr. Magariños during his eight-year tenure. Attention should now be focused on ensuring a seamless transition. He wished Mr. Yumkella every success in the important tasks that lay ahead of him and assured him of Africa's support and cooperation.

9. **Mr. BAZOBERRY OTERO** (Bolivia), speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC), expressed his congratulations to Mr. Yumkella; he was convinced that Africa's time had come, and that Mr. Yumkella would continue to strengthen UNIDO. GRULAC recognized Mr. Yumkella's professional capabilities and was sure that his leadership would be beneficial to all Member States.

10. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, Norway and Ukraine, expressed his pleasure at Mr. Yumkella's success. The European Union had been impressed at the dynamism with which Mr. Magariños had carried through the necessary reforms, which had resulted in effective and efficient programme delivery; not only had UNIDO's presence and esteem on the international scene increased, but so had its contribution to international development efforts, and in particular to the achievement of the Millennium Development Goals. He had every confidence in Mr. Yumkella's ability to continue with that process, consolidate the gains and further enhance UNIDO's profile among international organizations. It was essential that UNIDO remained focused on the areas in which it enjoyed comparative advantage, and offered clearly defined services that contributed to sustainable industrial development in developing and transitional economies and to the achievement of the relevant international development goals. The European Union welcomed the appointment of an African Director-General, given the unique development challenges faced by the African continent, and in particular by sub-Saharan Africa. Although he was confident that Mr. Yumkella would be well placed to ensure that Africa continued to receive special attention, it was also important to ensure that other regions received due attention. The European Union looked forward to working with Mr. Yumkella in a mutually supportive and cooperative manner, in order to ensure that UNIDO maintained and further enhanced its position in the international development community.

11. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China, said that Mr. Yumkella deserved the prestigious position of Director-General and had shown courage in taking on the task of assisting the industrial development of developing countries.

12. **Mr. ELDIN ELAMIN** (Sudan), after paying tribute to Mr. Magariños for his efficient running of the Organization, expressed confidence in Mr. Yumkella's ability to guide the work of UNIDO; the appointment of the first African Director-General was a milestone in the history of the Organization and represented a chance for Africa to play a pioneering role in overcoming the problems experienced by developing countries around the world. Mr. Yumkella's appointment was particularly striking because Sierra Leone was a country that had in the past been a cause for concern; he wished Sierra Leone continued stability and progress in future. Mr. Yumkella's election would show rural and poor communities that success did not recognize colours or borders, and could be achieved through hard work.

13. **Mr. HONSOWITZ** (Germany) announced that the German Government had decided to offer a voluntary contribution to the UNIDO programme activities of 1.1 million euros, for the development of small and medium enterprises in the pharmaceutical sector in less developed countries, in order to build up local production capacity. Mr. Yumkella should see the contribution as a token of his country's support for UNIDO, and Mr. Magariños as a clear demonstration of his success in winning back Member States' support for UNIDO. He trusted that the Director-General and his designated successor would work together to ensure a smooth transition.

14. **Mr. BAZOBERRY OTERO** (Bolivia), speaking for his own country, said that he felt certain that under Mr. Yumkella's leadership the Organization would continue to gain strength as a global forum and an agent for technical cooperation, to the benefit of developing countries. Development would facilitate improved economic relations in a competitive, globalized world. He expressed Bolivia's support for the Organization's ongoing work in Latin America and the Caribbean.

15. **Mr. ZNIBER** (Morocco) said that Mr. Yumkella's election demonstrated the firm support of the Board, showing that Member States were ready to be mobilized in support of UNIDO. His country welcomed the direction that UNIDO was taking, since his delegation was convinced that economic multilateralism was vital for the peaceful development of relations between countries. Although the job facing Mr. Yumkella was difficult, it was also noble.

16. **Ms. LAL LOKESH** (India) said that it had been long overdue for UNIDO to have a competent representative of Africa at its head, and Mr. Yumkella had fulfilled that aspiration. The Board had reposed its faith in him because of his outstanding qualifications and his intimate experience with UNIDO's work both at Headquarters and in the field.

17. **Mr. VILLEMUR** (France) said that his country welcomed the election of an African to the post of Director-General of an Organization for which Africa was a priority. He was certain that Mr. Yumkella's familiarity with the Organization's work at Headquarters and in the field would enable him to be effective in the post. Mr. Yumkella would build on the achievements of Mr. Magariños: under his leadership, the Organization would continue to improve its effectiveness in the areas in which it enjoyed a comparative advantage over other organizations of the United Nations system. He assured the Director-General designate of France's continued support.

18. **Mr. MIGEREKO** (Observer for Uganda) thanked those who had supported his country's candidate for the post of Director-General. He accepted the outcome of the democratic process and wished to assure Mr. Yumkella of Uganda's total commitment to the objectives of UNIDO. Uganda would support the new Director-General designate to ensure that his term in office was successful; he considered Mr. Yumkella's election to be a great honour and responsibility for Africa.

19. **Mr. NGENO** (Kenya) expressed his sincere congratulations to Mr. Yumkella. The nomination was an honour for Mr. Yumkella himself, for his country, Sierra Leone, and for the whole of Africa. Mr. Yumkella would discharge his onerous duties with competence and efficiency.

20. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group, congratulated Mr. Yumkella, whose proven abilities and qualities of leadership would strengthen the Organization. Mr. Yumkella would, he was sure, give due consideration to the needs of Asian countries. He hoped that the principle of geographical rotation, which had been cited during the election discussions, would be extended to other senior posts within UNIDO.

21. **Mr. GHASSAN TAYARA** (Syrian Arab Republic) congratulated Mr. Yumkella and his country, Sierra Leone. Mr. Yumkella's clear victory in the ballot was a sign of Member States' confidence in him, and Mr. Yumkella was certainly capable of meeting their expectations.

22. **Ms. HE Wangyang** (China) extended her warm congratulations to Mr. Yumkella and commended his well thought-out plans for the future of UNIDO. She also paid tribute to the other two candidates. China would continue to contribute, with other Member States, to the reform and development of UNIDO.

23. **Mr. CHIKANDA** (Zimbabwe) congratulated Mr. Yumkella on his nomination and on the inspiring statement he had just made. He would be taking over an Organization revitalized by the efforts of the current Director-General, Mr. Magariños. Mr. Yumkella could count on Zimbabwe's support.

24. **Mr. OMOTADE** (Nigeria) congratulated Mr. Yumkella on his nomination, which was a welcome event for the least developed countries and for the African continent and a victory for the principle of geographical rotation of senior posts.

25. Nigeria, which currently held the chairmanship of the African Union and of the Conference of African Ministers of Industry, was pleased that the candidate endorsed by the African Union had been nominated. He called upon all Member States to support Mr. Yumkella and suggested that he should be involved in any major project or personnel issues which might arise in the months preceding his accession to the post of Director-General.

26. UNIDO had introduced many projects to combat poverty, but they would only be effective if they received adequate funding. He called upon UNIDO to increase the quality, quantity and funding of technical cooperation delivery aimed at poverty reduction, in order to achieve the Millennium Development Goals.

27. **Mr. CHO Chang-beom** (Republic of Korea) said that Mr. Yumkella's professionalism and outstanding qualities of leadership would help him to guide the work of UNIDO as a leading international development organization. Member States and the Secretariat must work together to ensure a smooth takeover by the new Director-General. He assured Mr. Yumkella of his country's full support.

28. **Mr. PEREZ OTERMIN** (Uruguay) said that, on meeting Mr. Yumkella, he had been impressed by his personal qualities as well as his professional abilities and thorough knowledge of the Organization. Mr. Yumkella would be the first Director-General to have real field experience. He welcomed Mr. Yumkella's nomination.

29. **Mr. DAVIES** (South Africa) said that his country had been motivated to join UNIDO a few years previously by its strong focus on Africa. South Africa would work with Mr. Yumkella to strengthen UNIDO's role further, especially in the southern half of the continent.

30. **Ms. FEROUKHI** (Algeria) thanked Germany for the voluntary contribution which it had just announced, and which she hoped would encourage others.

31. She congratulated Mr. Yumkella on his nomination and commended the current Director-General, Mr. Magariños, on his remarkable achievements for the Organization. She was sure that the two men would continue to work closely together during the transitional period.

32. She thanked Iraq for withdrawing its candidate in favour of the one proposed by the African Union. However, the fact that Iraq had proposed a candidate marked the country's welcome return to the community of nations.

33. **Mr. EISINGERICH** (Austria) congratulated Mr. Yumkella on the overwhelming support he had obtained in the very first ballot. Austria, as the host country of UNIDO, was committed to promoting the effective functioning of the Organization. His delegation would study with interest Mr. Yumkella's statement of his plans for the future.

34. **Mr. ZAGREKOV** (Russian Federation) congratulated Mr. Yumkella on his well-deserved nomination. Mr. Yumkella could count on the full support of the Russian Federation in his efforts to enhance the effectiveness and authority of UNIDO.

35. **Mr. AL-ARAJI** (Observer for Iraq) congratulated Mr. Yumkella and assured him of Iraq's full cooperation. He thanked the many representatives who had welcomed Iraq's candidature for the post of Director-General.

36. **Ms. VASSALLO** (Observer for Peru) welcomed Mr. Yumkella's nomination and assured him of her country's full support.

37. **Ms. DAMIBA** (Observer for Burkina Faso) said that the African countries were very pleased that UNIDO was to have a Director-General from their region for the first time. The nomination process, which had taken place without polemics or excessive debate, had done credit to all concerned. She congratulated Mr. Yumkella and wished him every success in responding to the challenges and problems of developing countries, especially in Africa. She called upon donors to give Mr. Yumkella the resources he needed to carry out his mission, as Germany had already pledged to do.

38. **Mr. VIDANAPATHIRANA** (Observer for Sri Lanka) said that Mr. Yumkella's extensive experience in international development would be a great advantage in the fulfilment of his mandate. He assured Mr. Yumkella of Sri Lanka's continued support.

39. **Mr. V. C. GARCIA III** (Philippines) congratulated Mr. Yumkella on his nomination and hoped that the principle of equitable geographical representation, cited during the nomination debate, would also be applied to other key posts within UNIDO.

40. **Mr. SVENDSEN** (Norway) said that Mr. Yumkella's introductory remarks that afternoon showed his willingness to listen both to Member States and to his own staff. Norway looked forward to working with him.

41. **Ms. TANKEU** (African Union) thanked the representatives of other regions for supporting the nomination of Mr. Yumkella so decisively. Africa would take the opportunity to share other regions' experiences in order to pursue its development agenda.

42. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that he and Mr. Yumkella had agreed prior to the election that, if one of them won the nomination, the other would support him unreservedly. He now wished to state publicly that he would put his experience at Mr. Yumkella's disposal in whatever capacity Mr. Yumkella saw fit. He thanked Member States for nominating a candidate from Africa.

43. **Ms. HIROSE** (Deputy to the Director-General and Managing Director, Programme Coordination and Field Operations Division), speaking on behalf of the staff of UNIDO, expressed her warm congratulations to Mr. Yumkella, who would be the first Director-General of the Organization to come from sub-Saharan Africa. She also commended the other candidates for the sense of fair play they had displayed throughout the nomination process, and noted that the candidate from Iraq had withdrawn his nomination recently.

44. The Board's unequivocal choice of Mr. Yumkella as the next Director-General showed Member States' confidence in UNIDO by their selection of an internal candidate for the post. It was the beauty of the United Nations organizations that Mr. Yumkella, who came from a small country emerging from difficulty, had made that happen on the basis of his qualities to be the next Director-General. The Secretariat was looking forward to a smooth transfer of authority, which would enable the Organization to continue to work for sustainable industrial development and combat poverty, especially in Africa.

PROGRAMME AND BUDGETS, 2006-2007 (IDB.30/6, IDB.30/24)

45. **Ms. NORIEGA** (Observer for Guatemala), speaking as Chairperson of the Programme and Budget Committee (PBC), said that in pursuance of PBC conclusion 2005/3 she had continued consultations since

the Committee's twenty-first session with a view to seeking a solution that would be acceptable to all. Informal meetings had been held at various levels with representatives of regional groups and individually with representatives of some countries. There had been two meetings of the Enlarged Bureau of the Committee at which the two working papers annexed to her report (IDB.30/24) had been discussed. It had not yet been possible to reach a consensus on any specific proposal. Different positions had been made known at the twenty-first session of the Committee regarding the advisability of adjustments to document IDB.30/6. She had been asked to continue consultations, using the two working papers as the basis for negotiations. She stood ready to continue supporting actions in search of a definitive consensus that was favourable to all as well as to the Organization.

46. **Mr. NITIMIHARJA** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Group was of the view that, in order to achieve the objectives set by Member States in implementing the Organization's mandate, the Secretariat needed to be provided with appropriate human and financial resources. The Group believed in the need to increase those resources directly related to Major Programmes C, D, E and F. However, in a spirit of compromise the Group had decided to accept the current proposal despite the reduction of 2 per cent in those programmes. The Group had actively participated in the work of the twenty-first session of the Committee, and shared the conclusions reached; it called on all Member States to show flexibility in order to reach consensus on the programme and budgets for 2006-2007.

47. **Mr. OMOTADE** (Nigeria), speaking on behalf of the African Group, said the Group commended UNIDO's continuous efforts to work towards improving the quality and efficiency of the programme for 2006-2007, but noted with concern the 2 per cent reduction in Major Programmes C, D, E and F and did not wish that reduction to affect technical cooperation delivery negatively in any way. As for Major Programme C, the Group urged the Secretariat to intensify efforts to advance the use of sustainable, renewable energy sources in rural areas and to expand the establishment of sustainable industrial resources management and cleaner production projects. The Group attached great importance to technical cooperation, and regarded trade capacity-building as an important tool to assist African industrial products in gaining access to international markets. In that regard, the Group welcomed the conclusion of the first phase of the programme launched by the UNIDO-World Trade Organization (WTO) partnership, comprising four African countries. The Group looked forward to rapid implementation of its second phase and the future expansion of the initiative to other countries. As for Major Programme E, the Group was pleased to note UNIDO's provision of assistance towards improving the entrepreneurial and technical skills of rural women. It should stimulate the productive capacities of micro, small and medium enterprises, especially in the agro-industry sector. The Group welcomed the close cooperation between UNIDO and the New Economic Partnership for Africa's Development (NEPAD) which had culminated in endorsement of the UNIDO-sponsored Africa Productive Capacity Initiative (APCI) as the industrial component of the NEPAD strategy. That would ultimately boost national and regional initiatives and cooperation in line with the established sectoral priorities.

48. As for the budget proposal for the biennium 2006-2007, upon which no decision had been taken by the Programme and Budget Committee at its twenty-first session, the Group was still of the view that it should be adopted as suggested by the Secretariat. The Group was highly concerned about the negative impact of any cuts on the implementation of technical cooperation delivery, especially as the proposal already included a reduction in some Major Programmes. The Group saw no reason for further cuts.

49. **Ms. CARRASCO MONJE** (Bolivia), speaking on behalf of the Group of Latin American and Caribbean Countries, said that the Group considered it appropriate to support the programme for 2006-2007, which continued along the lines of previous programmes and was based on the Business Plan. GRULAC expressed its gratitude to the Secretariat for its efforts to reduce the size of the operational budget, which was satisfactory provided the reduction did not affect the efficient provision of services; that would depend on the donor community allocating more resources to UNIDO's various programmes in priority areas and regions. GRULAC welcomed the support expressed by other regional groups for development in the Latin America and Caribbean region, and requested the Secretariat to formulate and establish a programme for the region on the basis of General Conference resolution GC.10/Res.8.

50. **Ms. HE Wangyang** (China) expressed her delegation's great concern regarding the failure to reach agreement on the programme and budgets for 2006-2007, during and since the twenty-first session of the Programme and Budget Committee. Budgets should guarantee the funding of technical cooperation projects in developing countries, but at the same time UNIDO should devote attention to reducing costs, including overheads, so as not to increase the financial burden on Member States. China hoped that the parties concerned would be able to reach a consensus on the programme and budgets during the current session of the Board.

51. **Ms. FEROUKHI** (Algeria) noted with satisfaction that UNIDO had consolidated its financial

situation and improved technical cooperation delivery. Algeria encouraged the Organization to continue its activities to support development in the countries of the South, especially Africa, in pursuit of the Millennium Development Goals, and to ensure that the poor countries received greater benefit from globalization. To do that, however, the Organization must have the financial means, and the programme and budget proposals for 2006-2007 were indispensable to enable it to play its role and make its contribution to sustainable and clean development.

52. Algeria was particularly encouraged by the positive results of the reform process, as confirmed in the report of the Office of the Comptroller General. However, the heavy dependence of the regular budget on extrabudgetary resources and the arrears accumulated over many years were causes for concern; Algeria urged its partners in the North to comply with the commitments they had undertaken at Monterrey on international financing for development, and appealed to Member States that had not yet done so to settle their arrears and to pay their assessed contributions regularly and on time.

53. Major Programme C, on energy and environment, had increased UNIDO's visibility as a result of its active role in the area of new technologies and sustainable development; the programme deserved support and encouragement. It was important to consolidate UNIDO's mandate in the area of renewable energy, and Algeria encouraged the Organization to continue and enhance its activities in the various national and regional centres that promoted clean technologies and give industries information on the availability of such technologies. Algeria wished to emphasize the importance of UNIDO's assistance to developing countries in honouring their commitments under multilateral environmental agreements, especially the Montreal Protocol. Algeria encouraged UNIDO to continue its assistance missions to developing countries in connection with the Stockholm Convention, and supported its assistance to the countries of the South under the Kyoto Protocol through the Clean Development Mechanism. As for the programme for the development of agro-industries, Algeria encouraged UNIDO to reinforce its information and technical assistance role, and also to continue and intensify the implementation of the programme for strengthening the standards, metrology, testing and conformity assessment infrastructure, because compliance with international norms and standards was vital for the circulation of goods and integration in the global economy.

54. **Mr. BRANCIFORTE** (Italy) said that in the past eight years UNIDO had undergone a major transformation which had affected both its operational activities and its administrative arrangements, and had made it more efficient in line with the results-based management philosophy which underlay the entire reform process. The budget presented at the twenty-first session of the Programme and Budget Committee reflected a thorough analysis of UNIDO's needs and took into account its stakeholders' high expectations in terms of quality outputs and accountability, within a framework of financial austerity. Italy, which was a major donor to UNIDO's activities, believed that the Organization had an extremely important role to play, even within its limited financial resources, as a catalyst for good development practices. That was particularly true of the activities in support of private-public partnerships to foster private sector development. For those reasons, Italy believed that the excellent results achieved so far needed to be consolidated through adequate budget resources, and therefore strongly supported the adoption of a budget that fully ensured effective backstopping and implementation of technical cooperation activities, as well as the good governance of the Organization, particularly with regard to the internal oversight function.

55. **Mr. DAVIES** (South Africa) said that document IDB.30/6 outlined programmes that were of critical importance for Africa, and correctly placed the programme objectives in the broader context of international development goals. In that regard, great concern had been expressed over the situation in many sub-Saharan countries regarding progress towards achieving the Millennium Development Goals (MDGs). Since approximately half of the members of the Southern African Development Community (SADC) were among the least developed countries (LDCs) and would stand to benefit from those programmes, his delegation urged UNIDO to ensure that all the programmes incorporated a southern African dimension.

56. **Mr. CHIKANDA** (Zimbabwe) expressed the view that the Board should adopt the proposed budgets as drafted. His delegation had noted the 2 per cent reduction across the board in Major Programmes C to F, covering activities from which many Member States derived benefits. It noted also the reduction of 6 per cent for the Office of the Director-General, which represented a departure from UNIDO's established policy. It was important to give the new Director-General a sound financial base. The proposed budget had been prepared as a complete unit with clear substantive programmatic delivery objectives that could only be attained with a viable financing package in the next biennium. Any cuts in the budget would hamper UNIDO's performance, particularly in terms of technical cooperation delivery at the field level, and would weaken implementation of the results-based management system.

IMPLEMENTATION OF THE MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007
(IDB.30/16; IDB.30/CRP.3 and CRP.7)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2006-2009

57. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China and referring to agenda item 6 ("Implementation of the medium-term programme framework, 2004-2007"), said that the Group welcomed UNIDO's strategies for implementation of the medium-term programme framework and especially for the achievement of the MDGs, and welcomed the joint initiative of UNIDO and the United Nations Development Programme (UNDP) for the enhancement of private sector development through the enlargement of UNIDO's field presence. It was imperative to meet the requirements for the launch of field offices as soon as possible in order to reinforce cooperation and achieve greater synergies.

58. Regarding investment and technology promotion, the Group recognized the vast potential of such activities for enhancing technical cooperation activities aimed at strengthening national capacities for attracting foreign direct investment through South-South cooperation. The Group welcomed the fact that such activities had already included assistance to several national investment promotion agencies in upgrading capacities through training and the establishment of new programme areas.

59. Greater efforts should be made to enhance cooperation activities with diverse multilateral organizations in the area of trade capacity-building through technical cooperation methods that would assist developing countries and transition economies. The Group appreciated UNIDO's efforts to implement capacity-building training programmes and extend support to relevant government institutions, private sector associations and cluster-to-cluster cooperation activities. Such initiatives would enhance the resources of small enterprises that mainly supplied national markets but had export potential. The extension of such services to more developing countries and LDCs would, in the long run, lead to poverty reduction.

60. With regard to sustainable energy and climate change, the Group welcomed UNIDO's energy programmes aimed at providing modern energy services and promoting income-generating activities, since efficient energy use reduced pollution and improved productivity and competitiveness. Such initiatives should be reinforced and given wider coverage in developing countries and LDCs to ensure the realization of the MDGs. In that connection, efforts should be directed towards the promotion of business partnerships to support energy efficiency and cleaner technologies.

61. Recognizing the crucial role of financing in project implementation, the Group noted with satisfaction that UNIDO was making progress on fund mobilization for sustainable energy and climate change projects. It encouraged UNIDO to finalize negotiations with potential donors for funding Clean Development Mechanism projects. At the same time, the Group urged the Secretariat to redouble its efforts to explore further channels for financing all service modules.

62. Turning to item 9, he said that the two-year overlap period between the two medium-term programme frameworks should help to maintain broad continuity between them. The Group hoped that the 2006-2009 medium-term programme framework would conform closely to the strategic long-term vision statement.

63. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, Norway and Ukraine and referring to agenda item 6, said that the EU welcomed the close relationship between the new guidelines for programme and project management with the increasing adoption of the principles of results-based management (RBM). RBM constituted a means of improving the relevance, effectiveness and impact of the Organization's activities. In that context, the EU welcomed the formulation of a results-based programme and budgets document for the 2006-2007 biennium. Noting UNIDO's critical self-assessment of its results-based management work, the EU would like to encourage the Organization to address the identified areas where further progress could be achieved, particularly with regard to staff motivation towards results-based management principles.

64. UNIDO should consolidate its expertise in specialized niches where it had a comparative advantage. In that regard, the EU welcomed the measures put in place to enhance the technical competencies of UNIDO staff in the selected areas of intervention identified in the medium-term programme framework through technical workshops and focus seminars.

65. The EU looked forward to receiving further information on the follow-up given to efforts to implement strategic partnerships, such as the needs assessments and "kick-off" seminars that had been held in nine pilot countries following the signing of the *memorandum of understanding between UNIDO and* WTO in 2003 (IDB.30/16, para. 22). The EU also continued to strongly support the strategic alliance between UNIDO and UNDP in the area of private sector development.

66. Regarding agenda item 9, he referred to the EU intervention at the twentieth session of the Programme and Budget Committee. Copies of that statement were available from the EU Presidency on request.

67. **Mr. OMOTADE** (Nigeria), speaking on behalf of the African Group and referring to agenda item 6, said that the Group commended UNIDO's efforts in facilitating the adoption of the Africa Productive Capacity Initiative, which was expected to strengthen poverty reduction in Africa.

68. Greater emphasis should be placed on exploring the use and application of new financial tools to support productivity and technology, as well as upgrading private sector enterprises in developing countries and LDCs.

69. UNIDO should broaden its private sector development strategy by extending its business partnership programme to more developing countries.

70. The Group welcomed UNIDO's efforts to implement capacity-building training programmes and extend them to relevant government institutions, private sector associations and cluster-to-cluster cooperation activities. Those efforts should be extended to more developing countries with a view to poverty reduction in line with the MDGs.

71. With regard to agro-industries, the Group appreciated UNIDO's continued provision of technical assistance to many African countries that mainly depended on agriculture. Due consideration should be given to agro-food, fibre processing and product innovation in order to enhance market access capabilities.

72. Turning to agenda item 9, he said that the Group noted that the content of the 2006-2009 medium-term programme framework fell within the scope of efforts to achieve the MDGs within the Organization's mandate and core competence. The Secretariat should focus its activities on providing technical cooperation delivery in those areas in which it had a comparative advantage. Regarding the regional approach and its application to Africa, programmes should be implemented within the framework of NEPAD and the programmes of subregional organizations. The Group encouraged the Secretariat to continue its efforts in collaboration with Member States with a view to ensuring effective project and programme implementation.

73. **Ms. CARRASCO MONJE** (Bolivia), speaking on behalf of the Latin American and Caribbean Group, said that the Group welcomed the effective implementation of the 2004-2007 medium-term programme framework.

74. With regard to the activities described in document IDB.30/16, GRULAC welcomed the fact that the Secretariat, in addition to continuing to streamline the programme and project approval process, was using a management control framework for programme and project formulation and implementation with a view to enhancing the relevance of UNIDO's activities. In that connection, it encouraged the Secretariat to continue applying measures of critical self-assessment in relation to other operational aspects of the Organization and to continue promoting the enhancement of staff competencies.

75. Referring to the information provided on each of the Organization's service modules, she said that, in the area of industrial governance, it was important to continue the work of refining the methodology for strategic industrial diagnosis, which was vital for the formulation of public policies and the implementation of industrial development programmes and projects. Investment and technology promotion activities should be monitored with a view to quantifying their effects in terms of channelling and sustaining foreign investment. With regard to industrial competitiveness and trade, and in particular the agreement between UNIDO and WTO, GRULAC would like to be informed of the results of activities carried out in the nine pilot countries, and to see further activities undertaken in other countries. Turning to agenda item 9, she said that the Group trusted that continuity in the implementation of integrated programmes and programme frameworks along the lines indicated in UNIDO's Business Plan and the long-term vision statement would lead to greater effectiveness and sustainability in UNIDO's technical cooperation activities.

76. **Ms. POLO FLOREZ** (Colombia), referring to agenda item 6, expressed the hope that the results of Colombia's investment and technology promotion activities carried out jointly with UNIDO might be taken as a reference for future actions in other Member States. Satisfactory results had been obtained in investment promotion under Colombia's Integrated Programme through the establishment of regional centres for investment, information and technology, which involved direct alliances with chambers of commerce in various cities in Colombia. The results achieved by those centres notably included the launch of 38 national projects which, with UNIDO's support, were being promoted by a number of investment and technology promotion offices around the world.

77. Colombia attached great importance to ensuring the continuity of those results and broadening the experience already gained through implementation of the memorandum of understanding between UNIDO and WTO on the promotion of industrial and commercial competitiveness.

78. It urged the Secretariat to actively encourage the involvement of research centres and the academic establishment in the development of the research programme for the medium-term 2004-2007.

79. **Ms. WANG Ying** (China) welcomed the operational plan and strategy adopted by UNIDO and the measures taken towards achieving the MDGs, and noted with satisfaction the progress made on projects carried out under the service modules. However, despite the progress achieved in terms of cooperation between UNIDO and other multilateral agencies, there was still much potential for UNIDO to push forward South-South cooperation, and much remained to be done to raise awareness of South-South cooperation, strengthen fund mobilization, improve cooperation and coordination among different bodies and promote the implementation of specific projects. The medium-term programme framework 2006-2009 should be drawn up on the basis of the medium-term programme framework 2004-2007, and should be consistent with the Organization's long-term vision in order to ensure sustainability in programme and project implementation. It was important to strengthen the Secretariat's capacity to mobilize financial resources, which should be regarded as the Organization's top priority, to improve the implementation of South-South cooperation, providing organizational and financial guarantees for the implementation of relevant plans and strategies, and to accord priority to the development of renewable energy projects, including wind energy, tidal and wave energy, biomass and micro hydroelectric power plants. The application of micro hydroelectric power plant technology could be of particular benefit to the developing countries in their efforts to overcome energy shortages, reduce poverty, promote development and raise living standards.

80. China was ready to cooperate with other developing countries in promoting the application of such technologies. Her delegation hoped that the small-scale hydroelectric power plant projects that UNIDO had begun to implement in African regions would be extended to Latin American countries.

81. **Mr. SHIGEEDA** (Japan) said that his delegation commended UNIDO's efforts in implementing various programmes under the medium-term programme framework, 2004-2007. In that regard, Japan supported UNIDO's mobilization of diverse financial resources such as the United Nations Trust Fund for Human Security, the Montreal Protocol on Substances that Deplete the Ozone Layer and the Global Environment Facility. It expected further utilization of the Trust Fund for Human Security in the coming years.

82. **Mr. MANINI** (Institution for the Use of Micro-Alga Spirulina against Malnutrition) said that the Institution for the Use of Micro-Alga Spirulina against Malnutrition, which fully supported the objectives of the United Nations system and sought to promote intergovernmental cooperation, was engaged in the development of Spirulina as an emergency foodstuff and a product with global market potential that could help to strengthen the industrial, fishing and nutrition sectors. Spirulina was important in terms of food safety, and had a tangible economic impact. The stimulation of economies through the use of new technologies would improve living standards in those countries in greatest need of such assistance.

The meeting rose at 5.50 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 22 June 2005, at 10 a.m.

President: Mr. STELZER (Austria)
Later: Mr. BYLICA (Poland)

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V.05-86017 (E)

The meeting was called to order at 10.35 a.m.

IMPLEMENTATION OF THE MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.30/16; IDB.30/CRP.3 and CRP.7)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2006-2009 (*continued*) (IDB.29/6)

1. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group, noted with satisfaction that the medium-term programme framework, 2004-2007, was being implemented successfully for all eight service modules. A coherent and comprehensive research programme had been formulated, which was designed to improve the linkage between global forum activities and technical cooperation. The Group supported the publication *Operationalizing UNIDO's Corporate Strategy: Services and priorities for the medium term 2004-2007*, which took into account Member States' requests and global development priorities. He welcomed the Director-General's efforts to link technical cooperation and global forum activities with the services and priorities of the Organization, and urged him to refine UNIDO's regional approach and strategy in Asian and Pacific countries in order to ensure that the services provided were appropriate to the prevailing conditions.

2. UNIDO must take into account the concerns of developing countries confronted by globalization and technological change. The eight service modules must be fully incorporated into integrated programmes or country service frameworks in order to mobilize adequate financing.

3. Projects under the Global Environment Facility (GEF) and the Montreal Protocol on Substances that Deplete the Ozone Layer and cooperation with the United Nations Development Programme (UNDP) played an important part in the implementation of the medium-term programme framework. He urged the Secretariat to promote the mobilization of funds and increase UNIDO's field representation.

4. Turning to agenda item 9 ("Medium-term programme framework, 2006-2009"), he said that the Asian Group had taken note of document IDB.29/6, distributed at the previous session, containing the Director-General's proposals relating to the medium-term programme framework for the period 2006-2009. The 2006-2009 framework should maintain continuity with the 2004-2007 framework and take into account the strategic long-term vision statement which was currently being finalized.

5. **Mr. OSEI-AMEYAW** (Ghana) said that two activities in phase II of Ghana's integrated programme had begun, relating to the Technology Innovation Centre for Capital Goods and a pilot project on mini-hydropower for rural communities. Ghana aimed to become one of the leading agro-processing economies in Africa by the year 2010, thereby increasing employment and creating wealth in rural areas. He urged UNIDO to help Ghana implement the project for the Agricultural Machinery Industrial System within the identified organizations, in order to reduce supply-side constraints.

6. UNIDO and the Government of India had jointly established a programme of training and capacity-building in efficient manufacturing through better machine tools technology, practice and energy efficiency. Ghana was grateful for the training opportunity, but it would be more useful if it was accompanied by the creation of engineering infrastructure in the recipient country, in order to ensure the continuity of the capacity-building process.

7. He called upon all Member States to pay their assessed contributions regularly and promptly, so that UNIDO could implement its programmes and donors would be encouraged to contribute, particularly to the implementation of the integrated programmes and of new initiatives within the medium-term programme framework. That would help to promote public awareness of industry as a driving force for sustainable poverty alleviation and economic development. Ghana had honoured its obligations to UNIDO despite its own financial constraints.

8. His country's President had placed great emphasis on development of the private sector. The agro-processing projects known as the President's Special Initiatives complemented the integrated programme. Ghana welcomed the development by UNIDO of a comprehensive conceptual framework for the formulation of entrepreneurship policies to promote an enterprise culture and a stakeholder environment. Policy guidelines and advice on best practices would help national and local governments to boost the entrepreneurial spirit and investment with the aim of reducing poverty.

9. He appreciated UNIDO's participation in the Extraordinary Summit of the African Union on Employment and Poverty Alleviation, held in Burkina Faso in 2004. Any follow-up action should concentrate on employment creation, particularly in agro-processing.

10. West Africa aimed to establish a free trade zone with the European Union by 2008. He hoped that UNIDO would help to prepare the countries of the subregion for the challenges they would face. He noted the increased share of UNIDO assistance now devoted to Africa, and hoped it would be translated into employment creation, poverty alleviation, technology transfer and sustainable production.

11. **Mr. MOHANTY** (Principal Adviser to the Director-General) thanked all representatives for their comments. UNIDO's corporate strategy and medium-term programme framework were closely aligned with the programme and budget, the service modules and technical cooperation programmes. They took into account the concerns expressed by Member States in relation to poverty alleviation, the Millennium Development Goals, Africa and the least developed countries. The service modules would be continually adapted in order to meet Member States' needs more effectively. Technical cooperation was provided in a number of ways—integrated programmes, country service frameworks and individual projects tailored to the needs of the country concerned.

12. A representative had asked about the relationship between the long-term vision strategy and the medium-term programme framework. The vision strategy would be aligned with the medium-term programme framework for 2006-2009 and reflected in the budget for 2006-2007.

13. There had also been comments on UNIDO's cooperation with the United Nations and other organizations. UNIDO had concluded useful cooperation agreements with UNDP, the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) and would continue to strengthen them. In the environmental arena, UNIDO was fully involved in Montreal Protocol and GEF activities.

14. The Secretariat would take account of the comments of Member States regarding the share of technical assistance allocated to Africa and the least developed countries, as well as the importance of poverty alleviation and employment creation, in the design of future programmes.

IMPLEMENTATION OF THE COOPERATION AGREEMENT WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME (IDB.30/17; IDB.30/CRP.6)

15. **Ms. HIROSE** (Deputy to the Director-General and Managing Director, Programme Coordination and Field Operations Division) presented a series of slides illustrating the Cooperation Agreement between UNIDO and UNDP. The Cooperation Agreement had two main elements. The first was joint programme and project development in areas of UNIDO competence, including enhanced coordination of country-level programmes and alignment of UNIDO programmes with United Nations mechanisms such as the Poverty Reduction Strategy Papers (PRSPs), Common Country Assessments (CCAs) and the United Nations Development Assistance Framework (UNDAF), in the interests of achievement of the Millennium Development Goals. The second was a new model of field representation for UNIDO, to increase the Organization's field presence and respond to the call for reform throughout the United Nations system.

16. The Cooperation Agreement would initially be implemented for a two-year pilot phase, during which UNIDO would pay the costs of employing the Head of UNIDO Operations and UNDP would pay the operating costs of the Desk. If the assessment at the end of two years was favourable, the initiative would continue: it was expected to become self-financing in due course. Of the 15 UNIDO Desks planned for the pilot phase, 10 were already operational. Three private sector development projects had been prepared and would be launched shortly.

17. The challenge now was to make the new arrangement work efficiently, increasing technical cooperation delivery and mobilizing funds. She would continue to work closely with Member States and keep them fully informed.

18. **Mr. NAQVI** (Pakistan) pointed out that, on the map presented by Ms. Hirose, the UNIDO office in Pakistan was shown in the wrong place. It was actually in the capital, Islamabad.

19. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China, noted that, for the pilot phase, the locations for UNIDO Desks had been decided by the Secretariat using a set of indicators drawn up in November 2004 (see document IDB.30/17, para. 4). However, the Group of 77 and China trusted that future locations would be decided in consultation with Member States and in the light of the experience gained. The opening of 14 UNIDO Desks would increase the Organization's field presence by almost 50 per cent.

20. It was encouraging to note that joint programme development related to private sector development was progressing in a constructive spirit, with positive feedback from stakeholders. It was to be hoped that, as practices and procedures were developed, programme formulation and implementation would proceed more rapidly. He asked for more information about the additional agencies that had joined the joint programming initiative (see document IDB.30/17, para. 13).

21. He urged the Secretariat to prepare the relevant programme documents as soon as possible for the UNIDO Desks that were already operational.

22. The training session and operational guideline referred to in paragraphs 16 and 17 of document IDB.30/17 were important steps forward in the implementation of the Cooperation Agreement. He urged the Secretariat to prepare a comprehensive plan for future action.

23. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro and Ukraine, said that from the outset the EU had encouraged UNIDO to respond to the call of the 1997 Business Plan for an effective decentralization of activities and expanded and more efficient field representation, and wished to commend the Director-General and the Secretariat for having reached agreement with UNDP to that effect, with the focus on private sector development.

24. The European Union took note of the locations selected for the new and converted UNIDO Desks, as well as of the employment process launched to recruit national officers for them. The EU welcomed the fact that ten UNIDO Desks were operational, and wished to encourage UNIDO to complete the decentralization process in the remaining five countries. The EU applauded the 50 per cent increase in the size of UNIDO's field network. The EU commended UNIDO on the establishment of a UNIDO/UNDP task force on implementing the "Framework for joint UNIDO/UNDP technical cooperation programmes on private sector development" and would continue to follow closely the outcome of further meetings held on that subject.

25. The European Union welcomed the constructive progress of joint programme development and formulation, and noted the positive feedback from all stakeholders. The EU was particularly pleased with the apparent interest shown by other donor agencies, and in that context wished to encourage UNIDO to seek further harmonization with other agencies of the United Nations system in joint programme development in order not to lose momentum. Further such efforts would allow the Organization to increase the visibility of its mandate, experience and comparative advantage to local counterparts, donors and other organizations at field level in order to contribute to the achievement of the Millennium Development Goals. In that connection, the EU expressed its appreciation for the continuing training of UNIDO staff.

26. The European Union looked forward to the outcome of the joint evaluation of the pilot phase of the Cooperation Agreement, and would closely observe the impact it would have on private sector development and UNIDO's field presence. The EU noted the efforts that had been undertaken to clarify the operational functions and required interaction between UNDP Resident Representatives, Regional Bureaux, Heads of UNIDO Operations and staff through an operational guideline. The EU looked forward to receiving regular information on the implementation of the Cooperation Agreement, which set a good example for increased field-level coordination of development agencies within the United Nations system.

27. **Mr. OMOTADE** (Nigeria), speaking on behalf of the African Group, said that the activities currently under way in implementation of the Cooperation Agreement were a significant contribution to reform within the United Nations system and to increasing the relevance, delivery capacity, effectiveness and efficiency of UNIDO's programmes. The Group welcomed the positive feedback from all stakeholders, especially the agencies of the United Nations system, and expressed its satisfaction that three programmes had been fully formulated already, while others were in advanced stages of development.

28. The African Group was pleased to note that the Cooperation Agreement had attracted donors, and urged UNIDO to spare no effort in translating the growing interest into greater mobilization of funds for the Organization. The Group attached great importance to the steps taken to train the first group of Heads of UNIDO Operations, and stressed the need to continue that process. The Group trusted that the operational guideline being prepared would include clear guidance on the interaction of Heads of UNIDO Operations with the staff of the Organization in the field and at Headquarters. The Group was pleased to note the number of UNIDO Desks that would be operational by the end of the current session of the Board, and looked forward to maintaining the consultation process with the Secretariat concerning future UNIDO field representation. The Group also looked forward to the continuing work of the UNIDO/UNDP task force on implementing the framework for joint programmes on private sector development.

29. **Ms. CARRASCO MONJE** (Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group welcomed the information provided in document IDB.30/17, and noted with satisfaction that the schedule set out in document IDB.29/CRP.4 was being implemented, although it was concerned that the drafting of programme documents had not been completed for all the new UNIDO offices. GRULAC reiterated its support for the decentralization process that was now under way, and its view that, in addition to a strengthening of UNIDO's presence in the field, more effective performance also required a greater capacity to respond and to take action on the part of regional offices and especially on the part of the relevant Regional Bureau at Headquarters.

30. **Mr. NAQVI** (Pakistan) said his delegation accorded the utmost importance to the decentralization process, and appreciated that the implementation of the Cooperation Agreement with UNDP was moving ahead at a good pace. He welcomed the fact that, when the UNIDO Desk pilot phase was completed, UNIDO's field presence would be 50 per cent greater than it had been before the Agreement. Noting the positive feedback on the part of all stakeholders, Pakistan urged

the Secretariat to do what it could to translate that interest into greater and dependable funding for the activities of the Organization. Pakistan hoped that the proposals which the Group of 77 and China had submitted to the Secretariat regarding the criteria for opening new Desks and converting existing country offices into UNIDO Desks would be taken into account in the Secretariat's future consideration of locations. Pakistan wished to draw attention to the importance of close consultation with a Member State regarding the location of a UNIDO Desk. While in the case of opening new UNIDO Desks the support of the host country might be forthcoming, there could be understandable sensitivities in the case of conversion of an existing Country Office into a UNIDO Desk. In those cases, negotiations and consultations assumed the utmost importance in gaining the confidence of the host country, and it would not be realistic to expect a UNIDO Desk to yield positive results if a host country was not willing to extend its support. The Secretariat should be mindful of that important factor. Noting that the Cooperation Agreement envisaged an assessment of the UNIDO Desks established during the pilot phase, Pakistan considered that the time and pace of that assessment process would be of the utmost importance. Any delays would have a negative effect on the success of the pilot phase and thus of the Cooperation Agreement itself.

31. The 2 per cent reduction in Major Programmes C, D, E and F relating to technical cooperation delivery in the programme and budgets for 2006-2007 assumed even greater proportions when it was seen in the perspective of a 50 per cent increase in field representation, the costs of which would have to be borne by the Organization at the completion of the pilot phase in 2007. The matter needed to be looked into, particularly in the light of the results of the pilot phase. In Pakistan's view, the decentralization drive and the Cooperation Agreement would determine UNIDO's future. All stakeholders were fully aware of the critical phase in which the Organization found itself. The Member States and the Organization could hardly afford to squander the consolidation and achievement of the past eight years.

32. **Mr. MORIMOTO** (Japan) welcomed the progress in establishing UNIDO Desks and the fact that UNIDO's overall field presence would ultimately be extended to 80 countries. That extended field presence would ensure that UNIDO's mandate, experience and comparative advantage was well presented to the Organization's local counterparts, donors and other United Nations organizations present at field level. He drew the Board's attention to the recently established Tokyo International Conference on African Development (TICAD) exchange, which was a concrete example of tripartite cooperation between UNIDO, UNDP and the national Government and could enhance business relations between Asia and Africa.

33. *Mr. Bylica (Poland), Vice-President, took the Chair.*

34. **Ms. POLO FLOREZ** (Colombia), reiterating her country's support for the Cooperation Agreement, said it would ensure that UNIDO had a more active role to play in the development arena. However, she would like to see more effective decentralization and strengthened interaction between Headquarters and field offices. She would be grateful if the Secretariat would draw up criteria to reinforce the regional offices and create a regional network.

35. **Ms. HE Wangyang** (China) expressed the hope that the Secretariat would give adequate consideration to the pragmatic suggestions made by the Indonesian delegation, on behalf of the Group of 77 and China, on selection criteria for UNIDO Desks. Other aspects of the decentralization process were the establishment of regional centres for technical cooperation and the promotion of the private sector. China hoped that the Director-General would provide a detailed progress report on the decentralization process as a whole at the eleventh session of the General Conference.

36. **Mr. SVENDSEN** (Norway) said that the development of joint UNIDO/UNDP programmes would foster increased efficiency, more effective technical cooperation delivery and benefits for partner countries. Norway noted with satisfaction the progress made in setting up UNIDO Desks, and looked forward to following that process further. Norway was also pleased with the efforts made to implement the "Framework for joint UNIDO/UNDP technical cooperation programmes on private sector development" and, noting the apparently positive feedback from stakeholders, hoped that the process would bring the results desired. The Cooperation Agreement demonstrated UNIDO's readiness to heed the call by the Secretary-General of the United Nations for system reform. His delegation attached great importance to such reform, and wished to give UNIDO credit for the work done so far. Norway looked forward to being kept informed of further progress and on how the cooperation functioned in practical terms and what the results were for partner countries.

37. **Mr. EL MEKWAD** (Egypt) emphasized the importance for the Cooperation Agreement of providing the necessary capacities and financial resources for managing and operating the UNIDO Desks. Continuing training was also necessary for Heads of UNIDO Operations. The operational guideline should clarify the structural and complementary relationship between UNDP Resident Representatives, the Regional Bureaux, the Heads of UNIDO Operations and staff in the technical branches, so that the functioning of the UNIDO Desks would not be adversely affected by bureaucratic difficulties. Egypt hoped to assist in that

operation through the regional office in Cairo, which should study and analyse questions concerning industrial development with a regional dimension, operate as a host centre for training and technical consultancy in the service of Arab and African countries, and assist in the establishment of a regional industrial database to further industrial development in Arab and African countries. Egypt was ready to share the experience it had gained in cooperation with other developing countries.

38. **Mr. V. G. GARCIA III** (Philippines) said his country believed that the UNIDO decentralization process would meet the desired financial objective in terms of reduced operational costs while at the same time sustaining effective field programme delivery in the long term. He emphasized the importance of the appointment of a new UNIDO field representative in Manila in order further to accelerate the implementation of the country service framework for the Philippines. Other agencies of the United Nations system were intensifying their technical assistance involvement in the Philippines, but the delay in appointing the replacement for the UNIDO field representative, who had retired in December 2004, meant that implementation of the country service framework had not yet got under way. The Philippine delegation would therefore request UNIDO to appoint a successor at the earliest possible time. With regard to the proposed conversion of the UNIDO field office in Manila into a UNIDO Desk, the Philippines would welcome further consultations once the first phase of the decentralization process had been thoroughly assessed. The Philippines looked forward to receiving a report from the Secretariat on the implementation of the decentralization process.

39. **Mr. CHIKANDA** (Zimbabwe) said that, during the process of identifying locations for UNIDO Desks for the pilot phase of the Cooperation Agreement between UNIDO and UNDP, the Secretariat had applied the criteria defined and indicators developed in November 2004, which Member States were still considering. That had led to a number of inconsistencies and the unilateral creation of Desks by the Secretariat without consulting some Member States, including Zimbabwe. He asked the Secretariat to ensure that the future selection of UNIDO Desks was guided by agreed criteria as recommended by the African Group and the Group of 77 and China, and based on experience gained in the field. He understood that it was agreed that the creation of a UNIDO Desk or the conversion of a UNIDO country office into a UNIDO Desk would take place in consultation with the country concerned. He urged the Secretariat to draw up comprehensive future plans, including an assessment of the performance and successes of the Desks during the pilot phase, with a view to making an informed decision as to whether to continue with the creation of further UNIDO Desks.

40. His delegation continued to support decentralization as a means of enhancing UNIDO representation worldwide. If successful, decentralization would change the face of the Organization.

41. **Mr. BEST** (Switzerland) said that Switzerland supported the Organization's efforts to improve coordination with UNDP at the field level. His delegation recognized, on the basis of Swiss experience in project implementation, that coordination was a key challenge both at the planning and implementation stages of projects.

42. It was vital to harmonize the activities of the various organizations of the United Nations system and those of partner countries in an optimal manner, thus facilitating synergy between programmes implemented by organizations at the field level and ensuring the more efficient use of available resources, which in turn would contribute further to the development of recipient countries.

43. His delegation would like to be kept informed of the initial results of implementation of the Cooperation Agreement with UNDP at the field level and its impact on cooperation within the United Nations Country Teams.

44. In order to derive maximum benefit from decentralization efforts and with a view to optimizing synergies with bilateral cooperation programmes, the Swiss delegation would like to be kept informed of UNIDO's priorities regarding the establishment of UNIDO Desks.

45. The harmonization of United Nations system activities at the strategic level was essential if the development goals established by the international community were to be achieved.

46. *Mr. Stelzer (Austria), President, resumed the Chair.*

47. **Ms. DEHAIS** (France) welcomed the implementation of the Cooperation Agreement with UNDP, particularly the launch of the pilot phase. The Agreement would significantly enhance UNIDO's field coverage.

48. The decentralization process offered fresh perspectives for UNIDO, facilitating intervention in areas of comparative advantage. France favoured closer ties between UNIDO and UNDP, together with any further steps that would ensure improved coordination of activities and thus greater effectiveness at the country level. Such measures would improve synergies between organizations active in the same area or in related areas and thus render development activities more efficient. France looked forward to information on the pilot phase

of implementation of the Cooperation Agreement and would appreciate further information on the effect that the Agreement was expected to have on regional arrangements.

49. **Ms. HIROSE** (Deputy to the Director-General and Managing Director, Programme Coordination and Field Operations Division) said that the Organization would take advantage of the experience it had gained in the implementation of the Cooperation Agreement in pursuing further cooperation with other agencies. In answer to questions that had been raised, she wished to explain that the joint programmes for individual countries were in the process of being developed in collaboration with staff of the Programme Development and Technical Cooperation Division and with the UNIDO Desks. It was hoped that a report could soon be made available on progress in programme development in the various countries. With regard to the working relationship with UNDP and the UNIDO Desks, operational guidelines were being developed to help ensure smooth cooperation. It would be vital to ensure a good working relationship in each country, maintaining UNIDO's identity while cooperating fully with UNDP.

50. Assessment criteria for the performance of UNIDO Desks following the pilot phase would be developed in close cooperation with Member States. The assessment was expected to guide Member States in making decisions regarding the future of UNIDO Desks.

51. Regarding the technical cooperation delivery estimate for the 2006-2007 biennium mentioned by the representative of Pakistan, it was true that the estimate was rather conservative; it was to be hoped that a higher rate of technical cooperation delivery would be possible.

52. The suggestions made by the representative of Egypt regarding regional office activities would be considered by relevant regional bureau.

53. Close consultations would continue with Member States on the implementation of the Cooperation Agreement, since their support was crucial to its success. The Secretariat would report to the next session of the General Conference on the situation regarding the implementation of the Agreement.

ACTIVITIES OF THE JOINT INSPECTION UNIT (IDB.30/14)

54. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China on item 11 of the agenda ("Activities of the Joint Inspection Unit"), welcomed the fact that most of the recommendations contained in the reports of relevance to UNIDO issued by the Joint Inspection Unit (JIU) since the twenty-eighth session of the Board in 2004 were either already in practice at UNIDO or being addressed by the Secretariat. The Group noted with satisfaction the Secretariat's statement, in connection with the report of JIU reviewing headquarters agreements, that the majority of recommendations contained in the report were supported by the provisions in UNIDO's headquarters agreement and had long been practised (IDB.30/14, para. 6). The Group was sympathetic towards the introduction in Vienna of the remaining recommendations and good practices from other United Nations system duty stations, and requested their consideration by the host Government.

55. The recommendations contained in the reports on managing for results in the United Nations system were of direct relevance to UNIDO since it was also working towards results-based management.

56. The reports on procurement practices and on harmonization of travel conditions should be of great benefit to UNIDO—particularly the former, in the light of observations made by the External Auditor on the Organization's procurement system. The Group urged the Secretariat to give immediate attention to the matter.

57. The Group of 77 and China looked forward to the information on compliance with the JIU recommendations and the follow-up thereon currently being compiled by JIU.

58. **Mr. AJMAL** (Comptroller General) said that the Secretariat attached due importance to the implementation of the recommendations in the JIU reports wherever feasible and promptly provided information to Member States on reports of direct relevance to UNIDO, as well as drawing the attention of the Secretariat management and staff to the contents of those reports to ensure that best practices were adopted. UNIDO was updating its procurement practices, and would take due account of the recommendations made by JIU and by the External Auditor in that process. In view of the importance of after-service health insurance liabilities for all organizations within the United Nations system and the request by Member States for a system-wide solution to be found to the issue, UNIDO had requested JIU to undertake a review of the matter in order to provide the system with options on how best to finance those liabilities. The Secretariat would keep Member States informed of all developments in that regard.

UNIDO STRATEGIC LONG-TERM VISION (IDB.30/23)

59. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China on agenda item 10 ("UNIDO strategic long-term vision"), said that, while the Group appreciated the efforts made by the Secretariat in drafting the long-term vision

statement, it remained of the view that further amendments should be considered. Aspects that should also be covered were: dividing the focus area "poverty alleviation through productive activities in the non-farm sector" into the three specific areas of agro-industries, technology diffusion and transfer and the development of small and medium enterprises (SMEs); the implementation of UNIDO services in line with national priorities and the definition, where required, of new focus areas that took into account any changes taking place; various mechanisms for the enhancement of South-South cooperation, including the establishment of a special unit on South-South cooperation, identification of focal points, establishment of a special fund, etc.; formulation of achievable targets and ways to assess the Organization's performance against achievement of those targets; the shape of the field structure after completion of the pilot phase of the Cooperation Agreement with UNDP; identification of new and reliable sources of funding; expansion of membership, recovery of arrears and mechanisms to avoid such situations in the future, etc.; administrative and management efficiency—for example, optimal utilization of human and financial resources and enhancement of staff capacities.

60. The Group suggested that the vision statement as drafted be submitted to the General Conference as a first draft with a note to the effect that the strategic long-term vision statement was still under preparation in cooperation with Member States.

61. **Mr. FABER** (Luxembourg), speaking on item 10 on behalf of the European Union and of Bulgaria, Romania, Croatia, Turkey, Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, Norway and Ukraine, welcomed the alignment of the long-term vision statement with the existing Business Plan and Strategic Guidelines and said that the statement would help to focus UNIDO's activities on the commitments set out in the United Nations Millennium Declaration, including the Millennium Development Goals and the outcomes and commitments of major United Nations conferences and summits in economic, social and related fields.

62. It was important for UNIDO to focus on those areas in which it had a comparative advantage, and the EU welcomed the emphasis that had been placed on trade capacity-building, poverty reduction through productive activities and energy and environment.

63. It also welcomed the priority assigned to strategic partnerships with other organizations at the field level. However, the Agreement signed with UNDP in September 2004 should have been highlighted more, since effective completion of the decentralization process was of great importance for UNIDO's future.

64. In addition, greater emphasis should have been placed on the alignment of UNIDO's activities and programmes with national efforts to reduce poverty.

65. Securing adequate financial resources for UNIDO was extremely important, and the EU welcomed efforts to find new and innovative ways of financing the Organization's activities, particularly the involvement of the private sector in its activities.

66. The EU looked forward to the Board's recommendation of the long-term vision statement to the next General Conference session for adoption.

67. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group on agenda item 11, said that the Group welcomed the fact that most of the recommendations contained in the reports of relevance to UNIDO issued by JIU since the twenty-eighth session of the Board in 2004 were either already put into practice at UNIDO or being addressed by the Secretariat.

68. The Group noted with satisfaction that most of the JIU recommendations on headquarters agreements were already in effect. It asked the host Government to consider the other recommendations and good practices from other United Nations system duty stations.

69. The recommendations contained in the reports on managing for results in the United Nations system were of direct relevance to UNIDO, which was aiming at results-based management.

70. The reports on procurement practices and on harmonization of travel conditions should be of great benefit to UNIDO, particularly the former. The Group urged the Secretariat to give immediate attention to the matter.

71. Turning to agenda item 10, he said that document IDB.30/23 clearly described UNIDO's mandate, dual functions and services, which had evolved as a result of several reforms and organizational transformations. The Asian Group commended the Secretariat for its efforts in drafting a comprehensive long-term vision document.

72. However, the document as it stood focused rather on an account of past and current situations and placed little emphasis on the Organization's future vision, tending to assume that prevailing forces and trends would continue over the next several years. The long-term vision statement should take into consideration the rapid changes likely to take place worldwide in the next ten to fifteen years. Those changes would influence the nature and scope of the industrial needs of developing countries, thus affecting UNIDO's role. The Group therefore proposed that the document should analyse the future directions of current forces with a view to identifying where UNIDO should intervene and where it

could gradually reduce or diversify its interventions. Targets should be set as indicators for guiding and evaluating the Organization's performance and future plans, in particular with regard to technical cooperation delivery, field representation and fund mobilization. Additional sources of funding should be identified and planned for.

73. While the Secretariat's efforts were appreciated, more time and consideration should be given to the finalization of the vision statement in consultations with regional groups and Member States.

74. **Mr. OMOTADE** (Nigeria), speaking on behalf of the African Group on agenda item 10, commended the preparation of the long-term vision statement (IDB.30/23). The Group had noted with satisfaction that the current version reflected the views of most regional groups and other stakeholders regarding attainment of the Millennium Development Goals. UNIDO should continue to strengthen the coordination of technical cooperation in order to support the developing and least developed countries in overcoming problems related to market access through improving the quality of production, modernizing production technologies and ensuring standardization. The Group welcomed the commitment to give particular attention to Africa in view of the specificity of its industrial development, but urged that the continent be regarded as a whole and not two separate subregions. As financing was fundamental to a meaningful development strategy, UNIDO should further explore means of funding its programmes, potentially through multilateral and bilateral agreements with other international organizations, donor countries and the private sector. It should formulate attractive proposals for industrial development in its niche areas.

75. **Ms. CARRASCO MONJE** (Bolivia), speaking on behalf of the Latin American and Caribbean Group, said that the development of a long-term vision should help UNIDO to consolidate its work as a global forum and an executing agency for sustainable industrial development programmes, while strengthening its contribution towards attaining the Millennium Development Goals. The consultative process had permitted useful interaction with the Secretariat and among the Member States.

76. In respect of priority areas, she stressed the need in Latin America and the Caribbean for special attention to be paid to the agro-industrial, textile and fisheries sectors. GRULAC agreed that a horizontal approach should be taken in areas such as the private sector and human safety, but urged clearer strategies for the development and dissemination of new technologies. She reiterated the need for a multiregional perspective; the long-term vision should recognize the need to establish programmatic guidelines for each of the developing regions. The process of decentralization required a stronger UNIDO presence in the field. The long-term vision should also envisage specific steps to develop South-South cooperation, which would bring benefits to all countries, complement North-South cooperation and facilitate the mobilization of funds through triangular cooperation mechanisms.

77. **Ms. POLO FLOREZ** (Colombia) said that the strategic long-term vision would help UNIDO to define its future work. Her country had actively participated in the consultations; the exercise would enable Member States more clearly to define their interest in and commitment to the Organization.

78. Colombia welcomed the recognition of the need to find ways of promoting South-South cooperation; that would enable UNIDO to make better use of its relative strengths and advantages in the field and foster the exchange of experience and technical cooperation. The Secretariat should also formulate regional strategies in order to increase effectiveness in the financing and implementation of programmes.

79. **Ms. HE Wangyang** (China), welcoming the long-term vision statement, said that clearly defined strategies and reform objectives would improve UNIDO's cost-effectiveness and efficiency. The statement should give more emphasis to South-South cooperation and the mobilization of financial resources, and explore the possibility for the creation of a special fund for South-South cooperation. UNIDO's efforts to promote such cooperation had not yielded any noteworthy results, mainly because of a lack of overall strategic planning and of financial resources. The Organization should explore ways and means to solve those problems.

80. She welcomed the decision of the recent South Summit of the Group of 77 at Doha to establish the South Fund for Development and Humanitarian Assistance. Many countries had made pledges to that Fund. South-South cooperation would help developing countries to participate fairly and effectively in the new global economic order and should complement North-South cooperation. China would continue to expand its economic and technological exchanges and mutually complementary cooperation with other developing countries. China had already implemented many cooperative projects, given products from the least developed countries zero-tariff access to the Chinese market and signed debt-relief protocols with many countries, and would continue to support such cooperation. It was to be hoped that UNIDO would advance cooperation in such fields as science and technology, information and communication, energy resources and environment through cooperative frameworks such as the New Economic Partnership for African Development and the New Asian-African Strategic Partnership.

81. **Mr. BEST** (Switzerland) said that the strategic long-term vision statement presented a good analysis of UNIDO's potential niche in international development work and the future challenges the Organization would face. His country supported the three focus areas, on which it had systematically reinforced its cooperation in recent years.

82. More than half the technical assistance budget went to activities to implement the Montreal Protocol on Substances that Deplete the Ozone Layer. Such work needed to be balanced by activities in other domains, and UNIDO was well placed to promote the achievement of the Millennium Development Goals in the area of sustainable industrial development. The Organization should also strengthen its knowledge management and global forum activities, and analyse and share the lessons learnt from its technical assistance projects. Network-based sharing of information could reduce the costs due to conferences. UNIDO should take advantage of its knowledge-management work to help developing countries and countries with economies in transition to develop legislation that promoted entrepreneurship.

83. He welcomed the cooperation between UNIDO and UNDP and other organizations in the United Nations system, and attached importance to the process of system reform and General Assembly resolution 59/250 on the triennial comprehensive policy review of the operational activities of the United Nations system. In the section of the long-term vision statement (IDB.30/23, annex) on UNIDO and the multilateral system, he proposed insertion of a reference to the United Nations Global Compact and UNIDO's role as a core agency.

84. Management of projects needed to be simplified and improved through the application of optimal, economic methods. The Organization's internal processes must be as efficient as possible.

85. **Mr. MORIMOTO** (Japan) expressed appreciation of the strategic long-term vision as a road map for UNIDO's future activities. The vision statement should be developed so as to promote further reforms in UNIDO and in conformity with the Business Plan and the Strategic Guidelines. It should also reflect the human security and community-based perspective as a major concept guiding the activities of UNIDO, which should focus on its relative strengths and advantages. Japan looked forward to continued discussion of the proposed vision as a basis for continued reform of the Organization and further industrial development in countries where it had a field presence.

86. **Mr. DERY** (Philippines) commended the preparation of the strategic long-term vision statement, but noted that many elements that had been suggested by various delegations and regional groups were not reflected in it. The statement should consider developments in areas or sectors where improvements were expected that would render UNIDO's continued involvement unnecessary. UNIDO should develop target dates for having a balanced portfolio of activities linked with multilateral environmental agreements as compared with activities concerned with trade capacity-building, sustainable industrial energy and poverty alleviation through productive non-agricultural activities. He urged further consultations with Member States in order to produce a more forward-looking document setting out the framework for the next 10 years.

87. **Mr. DA CUNHA OLIVEIRA** (Brazil) welcomed the consultative process that had shaped the strategic long-term vision statement. He supported the view that attention should be given to the regional dimension in UNIDO's formulation of projects and programmatic guidelines.

88. Industrial development in Latin America and the Caribbean had historically been characterized by a pattern of concentration that had created disparities: some regions or sectors had prospered while others had been marginalized. However, integration could provide a way out of the situation. Integration was bringing to light the fact that problems could best be tackled on a collective basis, through coordinated international cooperation. UNIDO had the expertise and capacity to help the countries of the region solve their problems on a truly regional basis. That was South-South cooperation at its best, and something to which attention should be paid in the vision statement.

89. He underlined UNIDO's potential role in the field of emerging technologies, some of which could have an impact on the environment and the human and social development of millions of people in the developing world, and welcomed the Organization's recent creation of an organizational unit on the subject. Application of such technologies promised to be a driving force behind industrial development and UNIDO should not ignore that development. The importance of emerging technologies should be reflected in the vision statement.

90. **Mr. DAVIES** (South Africa) said he would like to comment on the application of the strategic long-term vision to southern Africa. As a relatively new Member, his country was keen to work with UNIDO and with the Southern African Development Community to deepen and enhance UNIDO's programmes and activities in the subregion in the light of its specific needs. There was great potential for expanding UNIDO's presence in southern Africa, and he hoped that the regional office in South Africa would soon be operational, thereby strengthening UNIDO's ties with the subregion.

91. **Mr. LEE Jae-Wan** (Republic of Korea) said that a well-elaborated long-term vision paper would contribute to proactive and consistent programme implementation, enhancing UNIDO's relevance, effectiveness and efficiency. In the unpredictable and changing international economic situation, however, the vision should be flexible and non-binding; the Organization should predict and analyse trends and directions, exploring possible interventions within its mandate and financial constraints. The statement should also include reference to the question of the return of former major donor countries to UNIDO. Their renewed membership would help to ensure the stable mobilization of financial resources that UNIDO needed to fulfil its mandate in a timely manner and to promote its universal character as an independent development organization. In that context, special attention should be paid to the current initiative for the reform of the United Nations system. New issues that would emerge from the September high-level meeting of the United Nations General Assembly should also be adequately dealt with in the vision statement.

92. **Ms. TCHEKNAVORIAN-ASENBAUER** (Association of Former United Nations Industry and Development Experts) said that the strategic proposals for the future of the Organization should take into account UNIDO's experience and achievements and the lessons learned. The problems facing UNIDO and other institutions were linked to global political and economic changes.

93. Until 1992, most of the Organization's technical cooperation activities and programmes had been funded by UNDP, and by that year UNIDO had become the second-ranking implementing agency in the United Nations system. One third of UNIDO staff members had been financed from overhead funds from UNDP. UNDP's shift in 1992 towards a social development approach had drastically cut funding, and funds had not been available for the continuation of all the programmes. However, modern technologies reduced staff requirements and the number of staff was not necessarily indicative of an organization's effectiveness; the main criterion should be the quality of response to the needs of developing countries. In the dramatically changed circumstances and with the support of Member States and the efforts of dedicated staff, UNIDO had managed to secure alternative sources of finance.

94. Sustained economic growth required quality of production, which depended substantially on overall capacity-building in the manufacturing sector. Developing countries, particularly in Africa, had limited access to markets in industrialized countries, which subsidized their own producers and imposed non-tariff barriers. In that regard, the Africa Productive Capacity Initiative, endorsed by the Conference of African Ministers of Industry in the year 2003, should be a major input for the UNIDO long-term strategy.

95. The growing attention paid by the international community to Africa was encouraging. The long-term vision statement should focus particularly on the least developed countries and on Africa, and give top priority to supporting the African Union and the New Partnership for Africa's Development (NEPAD) in their efforts to attain the Millennium Development Goals. Her Association was working with NEPAD to elaborate a strategy for small and medium enterprises. More consultations at all levels and detailed studies would be necessary in order to finalize the vision statement. Moreover, adequate funding and an appropriate level of specialist staffing would be needed to make the vision a reality. Her Association was keen to continue its cooperation with UNIDO to achieve development goals.

96. **Mr. MOHANTY** (Principal Adviser to the Director-General) welcomed the constructive and positive comments made, which would be taken into account in refining the vision statement. The document aimed to consider what UNIDO's focus and approach should be in the light of the expected evolution of the international economy over the next 10-15 years and the limitations of the Organization's resources. The moot question was how much detail a vision statement should contain. For example, it had been suggested that the document should indicate mechanisms for South-South cooperation: the document stated that UNIDO should promote South-South cooperation, but to specify mechanisms was perhaps more the function of a plan or budget. Informal discussions held seemed to indicate that further consultations should take place before the General Conference session to improve the vision statement.

The meeting rose at 1.05 p.m.

The meeting was called to order at 3.25 p.m.

PERSONNEL MATTERS (IDB.30/2, appendix L, IDB.30/15; IDB.30/CRP.4, IDB.30/CRP.9)

1. **Mr. SAMODRA SRIWIDJAJA** (Indonesia), speaking on behalf of the Group of 77 and China, said that the Organization's recruitment strategy should continue to be directed at maintaining the specialization of UNIDO's staff. The Secretariat should continue its commitment to the Human Resources Management Framework, aimed at creating a leaner institution that fostered management excellence and professionalism. The effects of the introduction of the Human Resources Management Framework had already begun to appear. One of its results had been that the average level of education of new recruits had risen, and the Group expected that that higher level of academic qualification would translate into greater specialization in the Organization's areas of competence. The framework had led to an increase in female representation in senior-level positions from 5 per cent to 21 per cent, and the Group also supported the idea of advertising through relevant associations of professional women throughout the world. The Group welcomed recruitment from all regions for Professional-level regular appointments between May 2001 and March 2005, but stressed the need for further improvements so as to achieve a fair balance among the regional groups and a better gender ratio. There was a need for more emphasis on recruitment from countries that were unrepresented or underrepresented. The Group urged the Secretariat to continue, in its recruitment policy, to pay due attention to merit and efficiency. The Group was of the view that, in order to increase technical cooperation and reflect regional equity, optimal use must be made of all human resources. It therefore requested the Secretariat to give consideration as soon as possible to the designation of the Director of the Latin American and Caribbean Bureau.

2. **Mr. NAQVI** (Pakistan), speaking on behalf of the Asian Group, said that the Group encouraged the Secretariat to continue its commitment to its Human Resources Management Framework. The Group expected that the higher level of academic qualifications of new staff members would translate into greater specialization in UNIDO's areas of competence. It also appreciated the increase in the representation of women in senior-level positions, and considered that it would be useful to extend advertising coverage with the aim of achieving gender balance. The Group stressed the need for further improvements in the recruitment process so as to achieve a fair balance among regional groups and a better gender ratio. More emphasis was needed on recruitment from countries that were unrepresented or underrepresented. The Secretariat should continue to pay due attention to merit and efficiency in recruitment. In line with Article 11.5 of UNIDO's Constitution, the Group agreed to the amendments made in the Staff Regulations to bring them into conformity with the decisions of the General Assembly of the United Nations.

3. **Ms. HE Wangyang** (China) expressed satisfaction with the results achieved in recent years in UNIDO's human resource management, notably the increase in the representation of women in Professional-level posts in the Secretariat and the higher academic qualifications of new recruits. However, China had noted that some countries were still underrepresented in the Secretariat in terms of internationally recruited staff, and hoped that in its recruitment of new staff members the Secretariat would take full account of geographical balance and put particular emphasis on recruiting professionals from the developing countries, with due account being given to the contribution the countries concerned made to UNIDO as well as their capacities.

4. **Mr. SVENDSEN** (Norway) said that his delegation encouraged UNIDO to continue employing the United Nations common system as a standard for the conditions of staff, and likewise supported its efforts to ensure gender balance. As a country that was significantly underrepresented in UNIDO, Norway would like to see more efforts made to encourage applications from countries that were underrepresented or not represented. Norway had decided to strengthen its delegation to the Vienna-based organizations from the autumn of 2005, and one element of that stronger presence would be follow-up of policies on administrative and personnel matters. Norway was a strong advocate of transparency, openness and fairness in staff appointments in all organizations of the United Nations system, as well as of sound administrative and personnel policies, which contributed to a healthy and productive working environment for staff. In human resource management, Norway encouraged policies that provided predictability and stability for both employer and employees. Norway would be following UNIDO's future administrative and personnel policies with great interest, as it was eager to see that the international organizations were perceived by their staff and by Member States as attractive and fair employers providing equal treatment and sound working conditions. In the long run, an organization could be successful in its external work only when its internal life—its management and administrative and personnel policies—was functioning well.

5. **Ms. MANGCOTYWA** (South Africa) said that her country remained concerned at the low level of representation at all levels of the Secretariat of personnel from southern Africa. That was not only the responsibility of the Secretariat. It was incumbent on the Member States to come forward with high-calibre candidates from government, the private sector and the

academic world in order to rectify the situation. South Africa intended to assist the Secretariat in identifying suitable candidates. Her country realized that all subregions wished to be represented in the UNIDO Secretariat, but statistics showed that there was a serious representation problem in the case of southern Africa. On the question of women in the Secretariat, South Africa noted that progress had been made, although much more needed to be done. UNIDO's recruitment strategy needed to be weighted in favour of women as well as in favour of regions and subregions that were underrepresented.

6. **Ms. CARRASCO MONJE** (Bolivia), speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC), drew attention to the low level of representation on the UNIDO staff of personnel from her region. There was a continuing fall in the numbers of Latin American and Caribbean nationals who were on the staff or hired as consultants. The region had plenty of qualified personnel with the kind of technical cooperation experience that was useful to UNIDO. The Group had a particular concern regarding the fact that the Director of the Latin America and the Caribbean Bureau had not yet been appointed. With UNIDO in a process of change, there was a need for continuity in the programmes and projects in the region, and GRULAC hoped that the appointment could be made as soon as possible.

7. **Ms. ANTONOPOULOU** (Deputy to the Director, Human Resource Management Branch) said that the Secretariat had taken due note of all the statements made, which would guide it in its future work.

MATTERS RELATED TO INTER-GOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

8. **The PRESIDENT** said that no organization had expressed the wish to enter into an agreement with UNIDO as stipulated in Article 19.1 of the Constitution.

PREPARATIONS FOR THE ELEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.30/18)

9. **Ms. ORLOWSKI** (Secretary of the Board) introduced the report by the Director-General contained in document IDB.30/18. She said that the document contained information on administrative matters and also the proposed agenda and information on relevant documentation. The work of previous sessions had been facilitated by informal consultations held prior to the sessions under the guidance of the President of the Board. She assumed that the same procedure would be adopted for the eleventh session. Document IDB.30/18 contained a draft decision that the Board might wish to consider, covering the agenda, a suggested decision to hold a forum on industrial development issues within the framework of the General Conference session and a recommendation that informal consultations be held in the run-up to the session.

10. **Ms. HE Wangyang** (China) noted that General Conference resolution GC.10/Res.4 on South-South cooperation (see document GC.10/INF.4) contained a recommendation that "Industrial Development, Trade and Poverty Alleviation through South-South Cooperation" should be made a theme of the industrial development forum to be held during the eleventh session of the General Conference. China proposed that the Secretariat organize a forum on that topic and assist in organizing presentations on South-South cooperation among Asian, African and Latin American and Caribbean countries, inviting resource personnel from developing countries to participate in accordance with the principle of equitable geographical representation.

PROVISIONAL AGENDA AND DATE OF THE THIRTY-FIRST SESSION (IDB.30/CRP.5)

11. **Ms. ORLOWSKI** (Secretary of the Board) said that alternative dates for the thirty-first session of the Board would need to be considered in the informal consultations currently under way, since a difficulty had arisen regarding the dates envisaged in document IDB.30/CRP.5.

The meeting rose at 3.50 p.m.

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Industrial Development Board

Thirtieth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 23 June 2005, at 7.55 p.m.

President: Mr. STELZER (Austria)

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The meeting was called to order at 7.55 p.m.

STATEMENTS BY MINISTERS AND OTHER DIGNITARIES

1. **Mr. MOLINA SARDAN** (Vice-Minister for Industry, Commerce and Exports of Bolivia) said that the low growth rate of his country's economy in recent years had aggravated poverty, increased inequalities and generated limited economic and social opportunities for wide groups of Bolivia's population. The consequences had been social polarization and greater political and social instability, which had become a threat to democracy and peace. Bolivia was now working towards a national consensus, focusing on national problems in a shared vision embracing the entire population and aimed at accelerating the rate of economic growth. Within the past month, the Government had developed and approved the "Plan Bolivia Productiva y Solidaria", which would lead to a country that was productive and competitive, integrated into commercial agreements and treaties, environmentally sound, with a good rate of growth and meeting the challenges of globalization and economic openness. There would be equitable access to basic social services, productive and stable employment, lower levels of poverty and full observance of human rights for the entire population.

2. The Plan had five objectives: to develop exports and negotiate effective access to external markets; to strengthen the internal market and create sustainable patterns of employment; to improve national productivity and competitiveness; to maintain the continuity of macroeconomic stability; and to establish financial institutions geared to productive and competitive development. The State had three new roles to perform: to provide impetus, to set strategy and to establish norms and regulations. Recent decrees had established the normative frameworks both for the national strategy for the development of manufacturing industry and for the national policy for the development of exports, external integration, economic and commercial promotion and effective access to markets.

3. As for Bolivia's international cooperation for development, it had not matched expectations. With the existing coordination mechanism, the intention was to move ahead at the pace required towards achievement of the Millennium Development Goals and focus on the production sector, which generated employment and income, while also strengthening progress in the social sectors. For Bolivia, the priority was to achieve greater efficiency and effectiveness in the allocation of existing resources, as well as to seek new resources.

4. By merely exporting raw materials, Bolivia had not been able to generate multiplier effects. The time had come for it to give added value to its natural wealth so that it could industrialize and generate sufficient resources to benefit the entire population, overcoming income distribution inequalities, eliminating poverty and thereby avoiding social confrontations. The role of international financial institutions should be more active, and rigid policies that gave rise to conflicts should be avoided. More effective international support was needed in the shape of high-impact programmes and projects that contributed to the development of production and exports and generated sustainable employment.

5. A UNIDO Desk had recently been opened in the office of the United Nations Development Programme in Bolivia, and a programme to promote the country's private sector was being designed. In Bolivia, the private sector was closely allied with the public sector. Extended cooperation between Bolivia and UNIDO was needed. His Government was proposing an integrated programme to: enhance the competitiveness and quality of the country's industrial sector, improving services to enterprises, especially exporters; build capacity for technological development through the establishment of an effective institutional infrastructure for technology dissemination; and attract and generate investment for the development of two special economic areas.

INTRODUCTION OF DRAFT DECISIONS (IDB.30/L.2-L.9 and L.11-L.13)

6. **The PRESIDENT** said that draft decisions on the various agenda items had been considered in informal consultations chaired by Mr. Bazoberry (Bolivia), whom he would ask to report.

7. **Mr. BAZOBERRY** (Bolivia), speaking as chairman of the informal consultations, said that the Board had faced a number of challenges on several issues at the beginning of the session. In particular, there had been two items on which the Programme and Budget Committee had been unable to reach a consensus. As a result, the informal consultations had often been characterized by arduous debate. However, the spirit of cooperation that had prevailed had permitted consensus to be reached on most of the drafts to be submitted for consideration by the Board.

8. Regarding agenda item 4 (c) ("Scale of assessments for appointment of the regular budget expenses for the biennium 2006-2007"), he said that the delegation of Mexico had joined the consensus but had requested that its view that UNIDO should not automatically apply the recent scale of assessments adopted by the United Nations General Assembly be reflected in the record of the meeting.

9. On item 4 (e) ("Appointment of an External Auditor"), he said that the participants in the consultations had considered a proposal submitted by the European Union and co-sponsored by the African Group but had failed to reach a consensus. The European Union delegation had noted its intention to refer the matter to the General Conference.

10. Finally, he expressed his thanks to the participants in the informal consultations and, in particular, to the Chairperson of the Programme and Budget Committee, for their hard work.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2004 (*continued*) (IDB.30/2 and Add.1; IDB.30/21; IDB.30/CRP.2)

11. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

12. *It was so decided.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.30/22)

(a) INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2004-2005 (*continued*) (IDB.30/2 and Add.1; IDB.30/8; IDB.30/9)

13. No draft decision having been submitted under the sub-item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

14. *It was so decided.*

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.30/10, IDB.30/13; IDB.30/CRP.8; IDB.30/L.2)

15. **The PRESIDENT** drew attention to draft decision IDB.30/L.2.

16. *The draft decision was adopted.*

(c) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2006-2007 (*continued*) (IDB.30/7; IDB.30/L.3)

17. **The PRESIDENT** drew attention to draft decision IDB.30/L.3.

18. *The draft decision was adopted.*

(d) WORKING CAPITAL FUND FOR THE BIENNIUM 2006-2007 (*continued*) (IDB.30/3; IDB.30/L.4)

19. **The PRESIDENT** drew attention to draft decision IDB.30/L.4.

20. *The draft decision was adopted.*

(e) APPOINTMENT OF AN EXTERNAL AUDITOR (*continued*) (IDB.30/5 and Add.1-4)

21. No draft decision having been submitted under the sub-item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

22. *It was so decided.*

(g) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.30/2, chapter VI)

23. No draft decision having been submitted under the sub-item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

24. *It was so decided.*

(h) FINANCIAL REGULATIONS (*continued*) (IDB.30/4; IDB.30/L.5)

25. **The PRESIDENT** drew attention to draft decision IDB.30/L.5.

26. *The draft decision was adopted.*

IMPLEMENTATION OF THE MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.30/16; IDB.30/CRP.3 and CRP.7)

27. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

28. *It was so decided.*

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE EXTERNAL AUDITOR (*continued*) (IDB.30/8)

29. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

30. *It was so decided.*

IMPLEMENTATION OF THE COOPERATION AGREEMENT WITH THE UNITED NATIONS DEVELOPMENT PROGRAMME (*continued*) (IDB.30/17; IDB.30/CRP.6)

31. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

32. *It was so decided.*

MEDIUM-TERM PROGRAMME FRAMEWORK, 2006-2009 (*continued*) (IDB.30/L.11)

33. **The PRESIDENT** drew attention to draft decision IDB.30/L.11.

34. *The draft decision was adopted.*

UNIDO STRATEGIC LONG-TERM VISION (*continued*) (IDB.30/23; IDB.30/L.12)

35. **The PRESIDENT** drew attention to draft decision IDB.30/L.12.

36. *The draft decision was adopted.*

ACTIVITIES OF THE JOINT INSPECTION UNIT (*continued*) (IDB.30/14)

37. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

38. *It was so decided.*

PERSONNEL MATTERS (*continued*) (IDB.30/2, appendix L; IDB.30/15; IDB.30/CRP.4 and CRP.9; IDB.30/L.6)

39. **The PRESIDENT**, drawing attention to draft decision IDB.30/L.6, pointed out that two posts of alternate members of the Staff Pension Committee for the biennium 2006-2007 remained vacant. Following adoption of the draft decision, the Secretariat would continue consultations with a view to identifying candidates for those posts.

40. *The draft decision was adopted.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (*continued*)

41. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the information contained in the annotated agenda.

42. *It was so decided.*

PREPARATIONS FOR THE ELEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.30/18; IDB.30/L.7)

43. **The PRESIDENT** drew attention to draft decision IDB.30/L.7.

44. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE THIRTY-FIRST SESSION (*continued*) (IDB.30/CRP.5; IDB.30/L.8)

45. **The PRESIDENT** drew attention to draft decision IDB.30/L.8.

46. **Mr. REZVANIAN RAHAGHI** (Islamic Republic of Iran) proposed the inclusion of a new agenda item entitled "Implementation of the cooperation agreement with the United Nations Development Programme".

47. **Mr. FRANGIEH** (Observer for Lebanon) proposed the inclusion of an agenda item entitled "Implementation of the medium-term programme framework 2004-2007", including "South-South cooperation".

48. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft decision with the additions proposed by the delegations of the Islamic Republic of Iran and Lebanon.

49. *It was so decided.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.30/22)

(f) SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES (*continued*) (IDB.30/11, IDB.30/12 and Add.1 and 2; IDB.30/L.13)

50. **The PRESIDENT** noted that the draft decision contained in document IDB.30/L.13 still contained square brackets around paragraph (f), on which agreement had not been reached. Perhaps the Board could adopt the remainder of the text and defer the bracketed paragraph to the General Conference.

51. **Mr. REZVANIAN RAHAGHI** (Islamic Republic of Iran) said that informal consultations between the Group of 77 and the European Union had resulted in a new text, which he suggested should be circulated.

52. **The PRESIDENT** said that the lateness of the hour precluded circulation of the new text. The new proposal could perhaps be included in square brackets as an alternative to the present bracketed text.

53. **Mr. MORIMOTO** (Japan) said that, as he understood matters, the proposal was to replace paragraphs (e) and (f) of the draft contained in document IDB.30/L.13 by a single paragraph, which would be the new paragraph (e). He did not think that the proposed new paragraph would prove contentious.

54. **Mr. FRANGIEH** (Observer for Lebanon) said that the proposal was in fact to replace paragraphs (e) and (f) by the following: "Recommends to the General Conference the adoption of the supplementary estimates for 2004-2005, as presented in documents IDB.30/12-PBC.21/12, for phase I, phase II and window replacement, amounting to €2,585,160. The remaining amount of €215,670 required for window replacement as presented in document IDB.30/12/Add.1 shall be financed from savings achieved in the biennium 2004-2005".

55. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft decision with the amendment just read out.

56. *It was so decided.*

PROGRAMME AND BUDGETS, 2006-2007 (*continued*) (IDB.30/6, IDB.30/24, IDB.30/L.9)

57. **The PRESIDENT** drew attention to draft decision IDB.30/L.9.

58. *The draft decision was adopted.*

59. **The PRESIDENT** thanked all delegations for their cooperation in achieving a consensus on the programme and budget recommendations.

60. **Mr. MORIMOTO** (Japan) thanked the President, the Chairperson of the Programme and Budget Committee, the Director-General and the Managing Director of the Division of Administration for all their hard work which had made possible the adoption of the decision. The consensus that had been achieved would help Mr. Yumkella, the Director-General designate, when he took up his duties. Meanwhile, the current Director-General would have the responsibility of preparing a revised draft of the programme and budgets for submission to the General Conference in December.

61. **Mr. CHIKANDA** (Zimbabwe) said that the countries of the Group of 77 would have preferred to see the budget adopted at the original level, since any reduction would inevitably affect efficiency. However, they had agreed to the revised figures in the interests of consensus.

62. **Mr. FABER** (Luxembourg), speaking on behalf of the European Union, congratulated all concerned on the successful outcome of the budget negotiations, and reiterated his full support for the Director-General designate.

63. **Ms. LAL LOKESH** (India) congratulated the President, the chairperson of the informal consultations and the Secretariat on making possible a consensus decision.

64. **Mr. EL MEKWAD** (Egypt), speaking on behalf of the African Group, welcomed the adoption of the decision and thanked all representatives who had supported the candidature of Mr. Yumkella for the post of Director-General.

ADOPTION OF THE REPORT (IDB.30/L.1)

65. **Mr. KOFFI** (Côte d'Ivoire), Rapporteur, introducing document IDB.30/L.1, said that the draft report was incomplete because of the limited time available. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted.

66. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

67. *It was so decided.*

CLOSURE OF THE SESSION

68. **Ms. HIROSE** (Deputy to the Director-General and Managing Director, Programme Coordination and Field Operations Division) apologized for the Director-General's unavoidable absence and, on his behalf, thanked all participants for their constructive contributions to the debate and for the important decisions taken. Both she and Mr. Magariños congratulated Mr. Yumkella on his nomination as the next Director-General and looked forward to his formal appointment at the next session of the General Conference.

69. **The PRESIDENT** thanked Board members and observers, the Bureau, the chairperson of the Programme and Budget Committee and all staff members for their contribution to the work of the session. As a representative of the host country, he had always felt a special pride in UNIDO and wanted it to succeed.

70. He declared the thirtieth session of the Industrial Development Board closed.

The meeting rose at 9.25 p.m.